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23 JANUARY 1987

# China Report

ECONOMIC AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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CHINA REPORT  
ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

LIAOWANG VIEWS MAJOR TASKS OF 1987

HK040911 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 48, 1 Dec 86

["Letter from Beijing" by Bao Xin (7637 0207): "Eight Major Things To Do Next Year"]

[Text] Dear brother:

It is snowing heavily in Beijing today. It snows once the winter sets in. This is a good sign for agricultural bumper harvest in next year.

Yesterday, the State Planning Commission revealed to the press that next year, we should do well in eight major tasks of economic and social development, and strive to achieve a basic balance in the general demand and general supply of society.

Whatever we do will be successful if we plan beforehand, or we shall end in failure. To propose next year's outline plans with full confidence as early as November is rarely seen in the history of new China. On the one hand, this shows that the leading organs of the state have got a clearer understanding about the rule of economic development, and, on the other, this shows that after last year's overheated economic development and rapid industrial growth, the government strives to improve its macro guidance and macro control over the economy while invigorating the microeconomy.

The eight major tasks for next year include grain, readjustment of industrial production structure and so on. They focus on the same topic, that is to achieve a balance in the general demand and general supply of society.

After making the mistake of "the Great Leap Forward" in 1958, the economy of mainland China had long been puzzled by a syndrome in which the general demand of society exceeded its general supply, and this because a major obstacle hindered China's healthy development of the economy. As the demand exceeded supply, those poor quality products from factories also became marketable products. This made people slacken their efforts in improving the product quality and developing new products. But to produce high quality products is just a core issue of China's economic development at present. Another adverse result of having protracted greater demand than supply is that one gets poor service from the commercial and service industries. This is because in a situation

where the demand for a product exceeds its supply, there is no need for shop workers to enthusiastically receive customers. Therefore, to achieve a balance in the general demand and general supply of society can also be said as a crucial issue for improving the product quality and service attitude in mainland China.

During the same period last year, the economy of mainland China faced two major problems: First is the problem of having an excessively rapid industrial development and overheated economy; and the second is the problem that the general demand exceeds the general supply. After spending efforts in these areas in last and this years, China eventually stabilized and normalized the economic growth rate. The pertinent departments forecast this year's gross industrial output value will be 4.4 percent more than last year. If we achieve a basic balance in the general demand and the general supply, the economy of mainland China will gradually be developing in a healthy way and in an advantageous cycle. Is it possible for us to depend on next year's eight major tasks for achieving a balance in the general demand [and] the general supply?

The first of the eight major tasks is to increase the grain output by 20 billion jin to 30 billion jin, that is to boost the gross grain output volume to 800 billion, or to 810 billion jin. We shall also continue to readjust the rural industrial structure. Between 1980 and 1984, the growth rate of grain production was very rapid. The gross output volume of grain in 1984 reached 800 billion jin. Between 1985 and 1986, people no longer paid much attention to grain production as they had successively reaped bumper grain harvest. Furthermore, there were natural disasters. The grain output volume in this period was fewer than that in 1984. Under these circumstances, everyone from the central to local levels have understood the importance of guaranteeing the rapid growth rate of grain production in the areas of reforms and economic construction. They therefore adopted a series of measures for investing more funds in the production and ensuring the supply of the means of production. As the target of growth in grain production is not very high, it is expected that we shall fulfill the target.

The second major task is to readjust the industrial production structure and promote the development of light industry and textile production, particularly name brand, good quality, as well as high and middle-grade products, and the development of new products. We have made a good start this year. Since the beginning of this year, there has been a sharp increase in the production of various marketable products, and many new products have been developed. Township enterprises have played a major role in replacing old products with new ones. In Beijing alone, there have been many exhibitions and trade fairs on new products made by other places. Therefore, the State Planning Commission urged the replacement of 20 percent of the present variety of light industry and textile products with new products, meaning that 5,800 kinds of new marketable products and varieties will be put on the market.

To expedite the construction of power supply is the third task. Developed areas on the eastern coast of mainland China do not have sufficient supply of power, which is an important obstacle in the development of industrial and agricultural production. Now, with the simultaneous development of hydroelectric and thermal

power, as well as the utilization of state investment, local investment and foreign investment, we should strive to complete building and put into operation the power generating equipment with an installed capacity of 5.5 million to 6 million kilowatts.

Because of rapid economic development, there has developed a tense situation in the supply of raw materials such as steel and iron, and the variety of raw materials is not wide enough. Therefore, mainland China recently needs to import a large volume of steel and iron. One of the major tasks to be done in next year is to accelerate the development of raw materials industry with the focus on the iron and steel industry. Following the inauguration of the first stage project of the Baoshan Steel Mill, some old bases of iron and steel industry have also undergone technological transformation in varying degrees. There has been a rapid growth in mainland China's iron and steel industry. Furthermore, mainland China's iron and steel enterprises are large in number. The potential of development is therefore very great. If we spend more efforts in technological transformation, we shall inevitably get good results within a short time. Therefore, we are also confident in doing well in this task.

Other tasks to be done in next year include railway and port construction, expanding export, developing tourism, developing science and technology, and further improving people's livelihood in both urban and rural areas. Of course, to make new steps in next year's reform of the economic structure, as well as to do well in reform of other areas, will become the driving force for doing well in these eight major tasks.

Bao Xin  
23 November 1986

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CSO: 4006/190

NATIONAL AFFAIRS, POLICY

JINGJI GUANLI ON JOINT STOCK SYSTEM IN COLLECTIVES

HK011344 Beijing JINGJI GUANLI in Chinese No 10, 5 Oct 86 pp 25-27

[Article by Zhou Huichun [0719 8148 2504]: "An Attempt at the Joint Stock System in Collective Enterprises--edited by Lin Daojun [2651 6670 0689]]

[Text] In order to investigate the road to intensifying the reform of the collective enterprises, the 2nd Light Industry Bureau of Heilongjiang Province carried out an attempt at initiating the joint stock system in the collective enterprises of the 2nd Light Industry. The following introduces the relevant problems in the reform:

I Necessity of Attempting the Joint Stock System in Collective Enterprises

The property joint stock system divides into shares the accumulated funds (referring to the net value of fixed assets and the self-owned circulating funds) created by the collective enterprises themselves, on the basis of the workers' and staff members' length of service in the enterprise, their technological level, work capacity and large or small contributions, and thus clarifies, in the form of shares, the ownership relations of the individual worker and staff member in the self-owned properties of collective enterprises.

According to the nature of enterprises under the system of collective ownership, enforcement of the property joint stock system is not a new problem. It was only due to the bondage of the "leftist" ideas several years ago that the joint stock system which had begun to grow in the 1950's was abolished, driving the collective enterprises to all along copying the pattern of enterprises under the system of ownership by the whole people and resulting in the formation of enterprises of a "second whole people" with "everybody eating from the same big pot." Following the separation of the workers and staff members from the ownership right of the assets of the enterprises, the workers and staff members have greatly lessened their concern with the enterprises, resulting in the enterprises losing the special features and vitality they should have.

In order to change this situation, the listening to the reactions and views of the various kinds of enterprises and the departments in charge, we have successively carried out several investigations and group discussion meetings. Summing up everybody's views and our understanding, we believe that collective enterprises need to try out the joint stock system mainly for the following reasons:

1. It can show that the properties of collective enterprises belong to both workers and staff members and can make the two become related in blood and flesh, jointly sharing risks. In group discussion meetings, comrades of the enterprises and the departments in charge unanimously acknowledge that the current collective enterprises were in reality a "second whole people." To whom should the fixed assets formed and the self-owned circulating funds belong? On this point, like in enterprise owned by the whole people, many workers and staff members have not considered themselves the real masters of the enterprises. They have only entertained the concept that they worked simply for the purposes of earning their pay and bonuses. Some workers and staff members have said that only at congresses of staff members or representatives' meeting when they raised their hands in voting that they felt that they were more or less like masters of the enterprises but that at other times they felt that they were only the enterprises' employees. This state of the staff and enterprises being seemingly in harmony but actually at variance has made the collective enterprises lose the coagulability which they should have. Hence, many comrades have suggested that by means of the form of the joint stock system the two be merged into a body anew, thus making the workers and staff members and the enterprises join together in heart and soul, everybody feeling concerned with the ups and downs of the enterprise, and bringing about a lively atmosphere of everybody striving hard to make the enterprise prosperous.

2. It helps enterprises make correct decisions and the whole staff working wholeheartedly to improve the operations and management and improve the economic benefits. Whether an enterprise is prosperous or not depends on whether its decisions are correct or not. But correct decisions should be the centralized manifestation of the wisdom of the masses. They need close studies, and the extensive collection of information and news, and depend on the truthful cooperation of the extensive masses of workers and staff members. Improvements in operation and management also depend on everybody's efforts. Experiences have shown that adoption of a scientific management method necessarily involves a struggle with the force of habit and frequently conflicts between those in charge of management and those in charge of production. On the other hand, after enforcement of the joint stock system, conflicts of this kind can be readily solved. This is because improving the economic benefits is closely related to the interests of the workers and staff members and improving operation and management, developing new products, improving product quality, and increasing the benefits will become the willing and conscious acts of the workers and staff members in enterprises which have enforced the joint stock system.

3. It helps in overcoming the irrational acts of the enterprises seeking immediate benefits and avoiding the losing propositions of making only the current year successful and the future years bleak and empty. At present, factory heads in the majority of enterprises all show the phenomena of protecting the immediate interests of the workers and staff members and work hard to give more pay and bonuses to the staff. Following the enforcement of the joint stock system, it will not be that the workers and staff members no longer care for their current interests but that they will join their current interests with their long-term interests, and, what is more, they care more for the future. Thus, it will be easier for the factory heads.

4. Following enforcement of the joint stock system, the shareholders bear the investment risks. The acts of the enterprises will consciously abide by the principle of attaining long-term profits and attention will be paid to the investment benefits. At present, many enterprises are stricken by the "disease of hunger for investment," doing redundant introduction of projects, transforming blindly, spending lavishly and bearing enormous debts. If the joint stock system is enforced, it will make people act as if they are treating their own enterprises and spend money only when necessary. Basically, the "hunger for investment disease" will be cured.

5. It can promote lateral economic combinations and facilitates the appearance of enterprise joint stock groups with many layers, directions, and forms. It may be anticipated that following the enforcement of the joint stock system in enterprise groups, the long-term development psychology of the enterprises will clearly be augmented and that those enterprises in a "small but comprehensive" handicraft form will be eliminated. In order to seek a far-reaching development target, the lateral combination of enterprises will increase greatly. In such a case, the appearance of enterprise joint stock groups cannot be avoided. This is extremely useful to overcoming the existing irrational phenomena of the over-inflation in the social gross investment scale and the too small scale in individual investment units.

6. It helps in removing the staff's concern about their future and can capably solve the difficult old-age problems. If the policy regulations of the relevant parties can be improved in accordance with the rational demands of the enterprise system, then the greater the contributions made by the staff members to the enterprise, the larger will be the amount of shares formed by the individual. When he retires he will be accorded with the compensation he deserves and there will be protection for his old-age needs. The worries about their future on the part of the workers and staff members will be thus removed.

7. It is beneficial to maintaining the legitimate rights and interest of the collective enterprises and their workers and staff members, and prevents the appearance again of the problem of leveling off and/or transferring the assets of collective enterprises. Following the enforcement of the joint stock system, the ownership right of the assets of a collective enterprise is clarified, and the assets of the joint unit, assets of the individual

enterprises and assets of the individual will all be protected by law. Hence, fundamentally this will ward off any attempts to infringe upon the collective economy and the stable development of the collective economy will be facilitated.

It can thus be seen that enforcement of the joint stock system not only is determined by the innate nature of the collective economy but also is an objective demand for maintaining the legitimate rights and benefits of the collective enterprise and the workers and staff members, augmenting the internal motive force of the collective enterprise and speeding up the development of the second light industry.

## II Methods and Steps in Enforcement

The attempt at the joint stock system in collective enterprises is a reform of a rather strong policy character, affecting the intimate interests of each and every worker and staff member. Therefore, it is necessary to liberate ideas and to use the brain to think of the problems that may appear, and strive to do the work in advance so that the reform may progress smoothly.

i. It is necessary to be in accord with the different conditions of the various kinds of enterprises and separately adopt a suitable form of the joint stock system for each. Seen from the pivot projects in various places in Heilongjiang Province, in general there are the following five forms:

a) A joint stock system covering all the properties. Generally speaking collective enterprises which have been established for not many years, or which have earned only small profits or actually incurred losses and not possessing many assets, may adopt this form. Regarding the assets accumulated by the enterprise itself, the amount of shares occupied by the workers and staff members may be determined by their period of service, technological level and work capacity, and the size of their contributions.

b) A joint stock system covering a part of the properties. In the case of collective enterprises of many years' standing, whose workers and staff members have gone through many changes, whose property composition includes a portion invested by the state and/or the federation, a portion formed by the courtesies of the state through the reduction or exemption of taxes and also collective accumulations created by the workers and staff members in their work and whose conditions are therefore rather complex, the demarcation of the shares of the workers and staff members is rather difficult and has relatively many problems. Regarding this category of enterprises, we adopted two different methods. One is that commencing from the day of the experiment, the joint stock system for the workers and staff members began on a trial basis, and all properties formed in the past were not divided anew into shares but the workers and staff members were still entitled to suitable amounts of labor dividends. The other method was that a suitable portion was taken out from the enterprise's own accumulations and divided into several categories in accordance with the length of service of the workers or staff members such

as those having served for 30 years or more were marked into the 500 yuan category, those having served for 20 years, into the 300 yuan category, and those with 10 years' services, into the 100 yuan category. In order for workers and staff members in the same base to receive the value increment and dividends from the shares, younger workers and staff members of younger ages were mobilized to pay in cash to make up for the disparities in the share funds.

c) A joint stock system allowing subscriptions to the shares. This refers to the development in recent years of a relatively large number of enterprises in which the workers and staff members, in order to develop production in the enterprises, invested funds in the enterprises. In this category of enterprises, many workers and staff members advocated using the individuals' investments as the basic joint stock amount and thereafter the accumulations created by the enterprise would be divided according to the ratio between the share investments of the workers and staff members and the enterprise's original properties, with the dividends to be distributed on this basis.

d) A vertical joint stock system jointly run by the Federation of Cooperatives and the collective enterprises. A rational demarcation of the shares is made between the past investments of the federation and its future investments in the enterprises. A relationship of the joint stock system having been thus formed, sinking funds for the cooperative enterprises will no longer be collected.

e) A lateral combination joint stock system. Between enterprises of the second light industry and between the various socio-economic organs a group or enterprise joint stock company will be jointly formed, according to the principles of equality and mutual aid so as to promote the development of lateral economic combines.

2. Formulation of distribution methods of profit and loss under the joint stock system. According to the state's regulations, profits of enterprises are subjected to payment of the income tax, energy and communications capital construction funds, and the cooperative enterprise sinking funds of the federation of cooperatives and proportionately setting aside staff welfare funds and labor dividend funds, with the balance to be divided according to the shares. After deducting the share accumulation funds, the balance constitutes the staff's share dividend funds for the current year. In the event an enterprise incurs a deficit or loss, the loss will be set off by the use of the share funds; in the case of enterprises enforcing the joint stock system covering the whole properties, the whole share funds (including shares of the federation of cooperatives and of society) will be used; in the case of enterprises adopting the partial joint stock system and system accepting share subscriptions, the loss will be set off on a proportionate basis between the shares of the properties of the enterprise owned by the workers and staff members and those owned by society.

3. Corresponding reforms must be made in the enterprise management structure. Following the collective enterprises enforcing the joint stock system, necessary reform must be made on the current management system. Generally speaking, enterprises under the joint stock system covering the whole properties should carry out the enterprise-head responsibility system under the leadership of the board of directors. The board of directors should be elected and formed by the parties subscribing to the shares and their representatives. The board of directors has a chairman and one of two vice-chairmen. The chairman is elected by the board of directors and confirmed by the office of the notary public. The factory head (manager) is appointed by the board of directors with a definite period of tenure of office. He exercises the various powers endowed to him by the board of directors. With the sanction of the board of directors, the factory head may appoint an assistant factory head. All the responsible persons of the various [word indistinct] and workshops of the enterprise hold their office through the due process of appointment.

Enterprises enforcing the system of partial joint stock system and the system of accepting share subscriptions may also adopt the system of having administrative and supervisory committees. The two committees are elected and formed at the congress of workers and staff members or at their representatives' congress. The chief director of the administrative committee is the factory head; the supervisory committee represents the workers and staff members in exercising supervisory power over the enterprise.

4. Compilation of the relevant regulations of the joint stock system. The joint stock system now being tried out has its scope limited to inside the enterprise. The shares are not allowed to be traded on in the exchange market. In the event of the workers and staff members being transferred from the enterprise, generally their share funds will not be refunded to them. In the event of a worker or staff member retaining his job but having his pay suspended, except that he will not be given any labor dividend, in general, he may be given share dividends. In the event of the retirement of a worker or staff member, in addition to his being entitled to continue to receive the share dividends, if he has special difficulties and subject to the approval of the board of directors, he may take away a definite amount of the share funds. If a worker or staff member passes away, his legal heir is entitled to inherit around 20 percent of his original shares, and the remaining portion going to the enterprise's accumulations. If his children carry on his post in the same enterprise, the amount of the shares they may inherit may be enlarged.

5. General procedure in the attempted reform of the joint stock system: First, it is necessary to earnestly do well in ideological mobilization of workers and staff members so that workers and staff members throughout the factory will understand the significance, purpose, method and demand of trying out the joint stock system and consciously and willingly join the pilot work. Second, it is necessary to earnestly and realistically clarify and demarcate the ownership of the enterprise's properties. Properties formed from state investments should be temporarily recorded under the name of the

federation; properties formed from the state's reduction or exemption of taxes belong to the ownership of the enterprise. None of the above can be set aside as the individual shares of the workers or staff members. By means of this clarification of the ownership of the properties, the family property of the enterprise may be ascertained and it will be possible to make the workers and staff members know which are the accumulations formed by their own creative labor and thereby establish the master's idea of seeking by themselves to strengthen and enrich themselves. Third, it is necessary to establish a unit and office for the pilot project of the joint stock system and formulate concrete measures and the program for enforcement. The principal leadership comrades of the enterprise must personally grasp and analyze the conditions of the progress made, grasp the ideas and reactions of the workers and staff members and, when meeting with difficult problems, should promptly study the problems and evolve measures to solve them. Problems of a policy nature which they cannot settle should be reported to the above for instructions. Fourth, enterprises doing the pilot work should promptly and earnestly sum up their experiences and, upon completion of the pilot project, a full summing up should be made. In general, an enterprise takes about three months' time for the completion of the whole pilot project. The work should not be dragged on.

### III Several Policy Limits Which Should be Grasped Well

Seen from the conditions of our pilot projects, at present attention should be paid to grasping well the following several policy limits:

The first is that we must firmly insist on the direction that the socialist public ownership system must occupy the leading position. It is our belief that although the joint stock system of properties is being tried out, the nature of the public ownership system of collective enterprises has by no means changed. There are three reasons for this: a) Since the workers and staff members are shareholders, and at the same time are the workers themselves, everybody should take cooperation as the precondition and also as the connecting link, establishing a close relationship of mutual dependence and mutual restriction using economic interests as the common basis. Heroes' shares do not exist, hence there is no problem of who is being exploited. b) The board of directors of our collective enterprises basically differs in nature from their counterparts of capitalist enterprises. Our board of directors is produced by democratic election by the share-holding workers and staff members. They think of the interests of the workers and staff members and serve for the purpose of developing the socialist collective enterprise. c) It is to further manifest the socialist distribution principle of each doing his best and distribution according to work.

The second is that we must firmly insist on continuously consolidating and enlarging the collective economy. We cannot, as soon as the joint stock system is enforced, apply the distribution method of dividing all and eating up all. On the contrary, the workers and staff members must be led to join together immediate interests with long term interests and devote whole-hearted cooperation to provide more share accumulations to augment and develop the reserve strength for development of the enterprise concerned.

The third is that the investments from the federation of cooperatives cannot adopt the method of getting something done once and for all. We must consider collecting a definite amount to use for its investment funds. By the time a total sum has been collected to offset the entire investment and portion of its value-increment, then the collection should be stopped and this portion of assets be converted, with due compensation, to the ownership of the workers and staff members of the enterprise.

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CSO: 4006/203

## PROVINCIAL AFFAIRS

### SHANGHAI MAYOR REPORTS ON ECONOMIC SITUATION

OW171141 Shanghai JIEFANG RIBAO in Chinese 24 Nov 86 pp 1, 3

["Excerpts" of Shanghai Mayor Jiang Zemin report on The Current Economic Situation and Main Points of Work for the Coming Winter and Spring, issued on 21 October 1986]

[Excerpts] I. The Current Economic Situation.

While Shanghai's political and economic situation has been on the whole satisfactory since the beginning of 1986, thanks to the guidance of the central authorities' principle of strengthening and improving macroeconomic control and the principle of consolidating, assimilating, supplementing, and improving the results accomplished in reform, new steps have been taken to transform and revitalize Shanghai.

1. Economic development is normal and sound, the trend is good.

From January through September, Shanghai's Gross National Product [GNP] reached 36.2 billion yuan, an increase of 3.6 percent over the same period last year. Of this GNP, the value created by services provided by the tertiary industry increased by 9.1 percent over the same period last year, and its proportion in the GNP increased from 26 percent in 1985 to 27 percent this year.

Shanghai's gross industrial output during the first 9 months reached 63.9 billion yuan, representing a growth of 2.5 percent. The composition of industrial products has been partially readjusted, the quality of goods has been improved, and the variety of goods has become increasingly diverse. Output of export goods, high and medium-grade durable goods in short supply at home, and goods for supporting the state's major construction projects, has increased substantially. The volume of cargo handled by railway, highway, and waterway transport; the volume of freight handled by seaports and airports; and the volume of mail and telegrams handled by postal and telecommunications offices were all higher than the same period last year.

The rural economy continued to move toward specialization, large-scale commodity production, and modernization. Despite reduction of acreage, the

total output of summer grain remained basically the same as that of last year. As the output of early fall crops is slightly higher than that of last year, and the late fall crops are growing fine, it is estimated that grain output will reach or exceed 2 million metric tons this year, the target set for Shanghai.

As industrial and agricultural output has been increasing steadily, the market has become more stable, propserous, and lively. During the January-September period, Shanghai's total retail sales reached 14.21 billion yuan, topping that of last year by 11.7 percent. This year, prices of most kinds of nonstaple foods remain basically stable, except for vegetables prices, which rose substantially for a time because of natural disasters. Prices of small-size industrial goods have remained decontrolled. In accordance with the principle of setting prices rationally according to product quality, the prices of bicycles and six other industrial consumer goods were readjusted in September. On the whole, commodity prices have basically remained stable. By the end of September, people living in urban and rural areas had saved 8.98 billion yuan with banks, an increase of 28.2 percent over early this year.

Commodity export, which made little progress in the past several years, has been satisfactory. During the January-September period, the total value of commodity exports increased 13.1 percent, and export volume increased 18 percent.

## 2. Construction of major urban infrastructures accelerated.

Of the 15 projects closely related to people's living to be completed in 1986, 9 of them are related to improving the investment and living environment. By the end of September, a number of projects had been completed or largely completed.

Construction of a number of mainstay projects, which people in Shanghai are paying close attention to, has been accelerated. The largest relocation project since liberation, part of the construction of a new railway station, has been accomplished. The construction of terminal buildings, platforms, and other supporting projects, including Hengfeng Road, overpasses, and commercial facilities, are proceeding simultaneously. Some individual projects have already been completed. Projects involving one-third of the investment of the water diversion project being built on the upper reaches of the Huangpu Jiang have been completed.

To fundamentally improve Shanghai's outmoded infrastructure, preconstruction preparatory work, such as feasibility studies and technical assessment of some extra ordinarily large projects, has been conducted. These projects include the control of Shanghai's sewage system, subway system, and construction of the Nanmatou bridge spanning the Huangpu Jiang.

## 3. Progress has been made in carrying out reform, opening to the outside world, and invigorating the economy.

In Shanghai's economic structural reform, stress has been put on the reform of industrial administrative companies this year. By the end of September, 22 such companies had been reformed.

New progress has been made in opening to the outside world, making use of foreign funds, and importing technology from abroad. The municipal government has set up a leading group in charge of the work in this regard.

Reform is being carried out step by step in the enterprise leadership and management system and the circulation of commodities. The system of factory director or manager responsibility has been instituted in more and more selected units. The municipality now has 150,000 people working under a contract system, thus gaining experience in reforming the labor system. The stocks of two enterprises in the municipality recently went on the market, which was an experiment in opening a stock market.

While affirming our achievements, we should also note the deficiencies in our work and the problems ahead. The main deficiencies are: our economic results are not ideal enough, the quality of a small number of industrial products has fallen off, the consumption of raw materials for some products has increased, comparable production costs are fairly high, the amount of funds taken up by products has gone up, labor discipline in some enterprises is lax, and more accidents, especially fires, have occurred. These are problems we must strive to solve.

## II. Main Tasks in the Coming Winter and Spring.

To conscientiously carry out the tasks for the coming winter and spring is of great significance for consolidating the present good situation and for taking ever bigger steps in the municipality's production, construction, reform, and opening to the outside world next year.

1. Efforts should be made to fulfill various plans for this year and work out plans for next year.

The tasks for the fourth quarter of this year are arduous, but there are many favorable conditions for fulfilling our plans. Initial results have been achieved in readjusting the product mix in the preceding period. Production in textile enterprises, enterprises under the second light industrial bureau, and neighborhood industries, whose production considerably dropped in the first half of the year, took a noticeable turn for the better in July. A trend of steady growth in industrial production has appeared.

Continued efforts should be made to strengthen macroeconomic control in order to create an environment more suitable for economic structural reform. First, it is necessary to control the scale of investment in fixed assets and to conscientiously check on projects under construction. Second, it is necessary to increase revenues and reduce spending in order to carry out the financial tasks for this year. Third, it is necessary to ensure the supply of funds for production and the construction of key projects.

2. It is essential to carry out the economic structural reform vigorously and steadily.

First, the reform of industrial administrative companies should be carried out effectively from beginning to end. This task should be completed in the coming winter and spring. Except for a few industrial administrative companies whose reform may be postponed to the first quarter of next year, the reform of most such companies should be basically completed within this year. There is a lot to be done after the industrial administrative companies are closed down. Departments in charge of enterprises should further streamline their administration and delegate more power to lower levels.

Second, continued efforts should be made to reform the planning system.

Third, it is necessary to further improve microeconomic operations and mechanisms in order to deepen the reform of enterprises.

Fourth, personnel should be organized to carry out investigation and study in order to work out plans for organizational reform.

3. New ways should be explored to make use of more foreign funds.

Taking the interests of the state, localities, and enterprises into account, relevant departments should set specific, favorable terms permitted by state policy and make them known as soon as possible.

While doing economic work, we must accomplish the task of party rectification in an all-round way and further improve the party's style of work. In accordance with the plan of the central authorities, we must effectively carry out party rectification in basic units in both urban and rural areas. We must strive to bring party rectification work to an end in the first half of next year according to plan. In units where party rectification has ended, conscientious efforts should be made to sum up their fresh experiences in party rectifications and to consolidate and develop their achievements in this regard. It is necessary to develop the good situation in which the entire party makes efforts to improve its style of work. Party committees at various levels should strengthen their leadership over the efforts to improve the party's style of work and continue to take effective measures to investigate and deal with major or serious cases, to correct unhealthy tendencies in various trades, to carry out education in party spirit, and to strictly enforce party discipline. In doing their work, discipline inspection departments should promote the sound development of reform of the socialist economic and political systems. These departments should rectify persons and things hampering or undermining reform and make their work an important force in promoting reform.

III. Several questions regarding thinking should be solved.

It should be noted that it will be rather difficult to carry out the above tasks in the coming winter and spring. In the new situation, with the country continuously advancing in economic construction and reform as well as in opening to the outside world, this municipality faces many new situations and problems in its economic work. For example, further reduction of the

scope of mandatory planning and the quantities of materials allocated by the state will make it more difficult for localities to balance material supply and demand; many factors affect the increase of industrial production and local revenues; the task of planning the scale of investment in fixed assets is very arduous; and so on and so forth. To effectively carry out the tasks for the coming winter and spring, attention should be paid to solving questions concerning guiding ideology and concepts in economic work, in addition to handling specific problems in work.

1. A guiding ideology should be firmly established for Shanghai's economic development strategy. The "Outline of a Report on the Strategy for the Economic Development of Shanghai" approved by the State Council points out: It is necessary to make Shanghai an open, modern, and multifunctional socialist city with a rational industrial structure, advanced science and technology, and a high degree of civilization before the end of this century. This is the guiding principle for Shanghai's work.

2. We should clearly understand the great significance of opening to the outside world. Shanghai particularly needs to make use of foreign funds and introduce advanced technology and managerial experience from abroad to speed up its reform and revitalization in order to become a Western Pacific economic and trade center.

3. A social mentality suited to the development of commodity economy should be cultivated. With the urban economic structural reform developing in depth, Shanghai particularly experiences a sharp conflict between new systems and old ideas. For example, ideas such as sticking to old ways, failure to make progress, equalitarianism, "sharing food from the same big pot," and fearing to take risks or assume responsibility still exist to a considerable extent. Violations of discipline, professional ethics, and social morality have often taken place. We should promote the ideas of competition, efficiency, market, and legality, increase the ability of cadres and people in these respects, and accelerate the change of old systems into new ones.

4. We should understand that government functions need to change. With the deepening of reform of the economic and political systems, government departments are required to change from direct to indirect management in economic work. Departments in charge of economic work should consider how to change their functions, reduce their administrative interference in the operation and management of enterprises, and learn to use economic levers.

5. It is necessary to promote the style of being modest and prudent and working hard.

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CSO: 4006/227

## PROVINCIAL AFFAIRS

### SHANGHAI'S 1986 INDUSTRIAL PERFORMANCE ANALYZED

OW260956 Beijing XINHUA in English 0849 GMT 26 Dec 86

["Year-end analysis: Shanghai's Industry in 1986"--XINHUA headline]

[Text] Shanghai, December 26 (XINHUA)--Shanghai, China's largest economic center, will have had an industrial output value worth 86.3 billion yuan (23.3 billion U.S. dollars) by the end of the year, according to the municipal government.

"The figure is 3.3 billion more than that of last year and the increased part is equivalent to the total in 1949," said Yu Xiangnian, economist in charge of the city's planning for economic development.

According to Yu, the city's gross national product (GNP) will reach 49 billion yuan, a five percent increase over last year.

The service industry will have contributed 11.3 billion yuan to the GNP, a 10 percent increase over last year. The income from the service industry has increased from 26 percent to 27.3 percent of the GNP, Yu said.

The city has also done a lot to improve its infrastructure, transportation and communications, and the cargo the Shanghai Port has handled has reached a record, he said.

The city of Shanghai has played a key role in the national economy, with its industrial output value occupying 10 percent of that of the whole country; its revenue, 14 percent of the state total annual income and its output value from export, 16 percent of that for the whole country. The Shanghai Port handles one third as much cargo as all the other ports put together.

Shanghai's industry had a downslide at the beginning of this year and people worried that the city would not fulfill its task of increasing industrial output value by the end of the year, according to Yu.

To make the situation better, the city government streamlined its industrial departments, spread the new system of factory director's full responsibility,

practiced a system which allows small and medium enterprises to be leased to individuals, and pioneered the reform in financial and money markets by issuing shares for the enterprises, Yu said.

"All this has helped revamp and revitalize the enterprises by stepping up transition from the old economic pattern to the new," he said.

In addition, the city government sent technical groups to study and investigate in other provinces to seek a more satisfactory cooperation with other parts of China. And over 3,000 enterprises--an increase of 1,000 over last year in the city--went out to seek cooperation with other provinces, Yu said.

"Thanks to these efforts, things began to turn for the better during the second quarter, and since then industry has seen a smooth development and will fulfill its scheduled task of a four percent increase in industrial output value," Yu said.

By the end of the year, the city will have seen 560 imported or introduced technical projects in operation, which will greatly update the city's metallurgical industry, bearing-making, television and broadcasting, electronic products, plastics, food, textile and printing industries.

The city has greatly increased the output of its main products such as color TV sets, refrigerators, double-tub washing machines, bicycles, 135mm cameras, steel and steel products and power generating equipment while reducing 39 kinds of products less in demand, including liquor, radio sets and cloth, Yu said.

The income from exports has seen a breakthrough to reach 3.6 billion yuan, a 30 percent increase over last year, and over 80 percent of the exported goods were industrial products, compared to last year's 76.8 percent, Yu said.

In order to edge into more home and international markets, the city has made efforts to improve the quality of its products. The city government has set up over 80 stations to monitor the quality of products, according to Yu.

"Now, over half of the city's 10,000 enterprises, including those in suburban areas, have their products checked more scientifically," Yu said.

On the other hand, there are some problems for the city's industrial development: economic results are not as satisfactory as expected, industrial costs have increased and management methods are still not keeping pace with the development of the economy, Yu said.

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## PROVINCIAL AFFAIRS

### HUNAN GOVERNOR SPEAKS ON ECONOMIC WORK TASKS

HK310209 Changsha Hunan Provincial Service in Mandarin 0100 GMT 31 Dec 86

[Excerpts] Provincial conferences on planning, technological progress, and urban construction concluded in Changsha yesterday after 5 days in session. Delivering a summation at a joint session of the conferences, Governor Xiong Qingquan said that Hunan's economic work next year should be centered on persevering in and deepening reform and focus on developing agriculture and invigorating the enterprises.

He stressed: To achieve next year's planned targets, we must fully cherish and preserve the political situation of stability and unity. We must actively launch the work of increasing production and practicing economy. We must get a good grasp of implementing the various policies, and in particular regard the implementation of expanding enterprise decision-making power as an important aspect in examining and assessing the work of the government departments and leaders at all levels.

These three conferences were held simultaneously. The planning conference proposed the goals for next year. The general demand is to persevere in the principle of seeking truth from facts and making steady progress, and to maintain an appropriate growth rate under the premise of improving economic results. The main targets are: Total industrial and agricultural output value to rise by 7 percent; industrial output value to increase by 8 percent and agricultural output value by 5 percent; and the natural growth rate of the population to be kept below 10 per 1,000.

The provincial technological progress meeting decided that in technological transformation next year, it is necessary to focus on the key points and switch to improving quality, reducing input consumption, increasing foreign exchange earnings from exports, and improving economic results.

The urban construction work conference proposed that the focal point in work next year is to do a good job in infrastructural construction, and to succeed in integrating economic results, social benefit, and environmental benefit.

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## PROVINCIAL AFFAIRS

### HEILONGJIANG PLANNING CONFERENCE ENDS ON 27 DECEMBER

SK290210 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 27 Dec 76

[Text] The provincial planning conference, which concluded on 27 December, set forth the province's 1987 plan to develop the national economy. The conference has set a 5 percent increase in agricultural output value, and a relative increase in other undertakings. To fulfill the target set for 1987, the province will concentrate on grasping the following eight tasks:

1. Efforts should be made to vigorously develop agricultural bases while accelerating the pace of building marketable grain bases, with the main production being of soybeans, to develop agricultural production that can earn foreign exchanges, and to increase the sowing acreage of soybean and high-yield crops.
2. Efforts should be made to actively readjust the structure of industrial products, to vigorously develop depth processing of primary products, to follow the development orientation of turning out products from raw materials to producing final commodities, and to increase the output of famous trademark and fine quality products and a variety of new products.
3. Continuous efforts should be made to enhance the building of power production and communications undertakings.
4. Efforts should be made to accelerate the pace of developing raw material industries and mainly petrochemical production, to do a good job in building coordinated projects in ethylene production, to tap the latent power of oil refineries, and to actively join in drilling small oil wells.
5. Efforts should be made to earn foreign exchange by exporting commodities, to stabilize commodity sources for exports, to accelerate the pace of building the production bases of the 10 major export commodities, and to develop tourism to increase non-trade income.
6. Efforts should be made to further develop education in science and technology, to upgrade the role of scientific and technological work to more than 20 percent in scoring an increase in the economy, to emphasize educational

development in gradually upgrading educational quality, and to accelerate the pace of building teachers' schools and colleges to upgrade the standards for teachers.

7. Efforts should be made to actively help the poor and border areas develop their economy.

8. Continuous efforts should be made to gradually deal with, in a planned manner, the practical problems that crop up in the people's livelihood, such as those which have cropped up in the education of middle and primary schools, in both urban and rural medical care, in potable water at county and township levels, in rural power-supply and communications operations, and in rural highway construction.

To fulfill the eight tasks, we should continuously do a good job in conducting reforms in 1987. The emphasis of conducting reforms in planning systems is to delegate power to enliven enterprises and reduce the amount of mandatory planning, and to delegate power to lower units in appraising investments in fixed assets. In 1987, localities throughout the province should change their managerial system from planning on paper to practical planning. Effective 1987, in conducting planning work, the provincial level organs will concentrate on affairs at prefecture and city levels and will no longer directly deal with affairs at the county level.

During the conference, Governor Hou Jie delivered an important speech. Vice Governor Li Zhongli delivered a report on relaying the spirit of the national planning conference. (Yu Guangquan), director of the provincial planning and economic commission, delivered a report on the province's plan to develop the national economy in 1987.

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## PROVINCIAL AFFAIRS

### QINGHAI PLANNING MEETING SETS TASKS FOR 1987

HK300251 Xining Qinghai Provincial Service in Mandarin 2330 GMT 29 Dec 86

[Excerpts] A provincial planning meeting concluded in Xining on 28 December after 7 days in session. The meeting discussed and made arrangements for next year's economic and social development plan. It also studied and discussed the questions of how to improve agriculture and animal husbandry, readjust the product mix, improve economic results, strengthen key construction work, ensure the progress of projects, increase foreign exchange earnings from exports, and further enliven the work of opening to the outside world and linking up with the interior.

(Yang Shengjie), chairman of the Provincial Planning Commission, delivered a report outlining his views on the planning arrangements for 1987. Next year the province should continue to maintain sustained, steady, and coordinated development. The target for industrial and agricultural output value is initially set at 3.45 billion yuan, a rise of 7.4 percent over 1986. This includes increase of 9.2 percent in industry and 3.8 percent in agriculture.

In industrial production, it is necessary to deepen the reforms, with the focus on invigorating the enterprises. We should further readjust the product mix and vigorously step up output of products that sell well and of export foods for earning foreign exchange. We should concentrate forces to step up the construction of backbone projects.

We must also strengthen agriculture and animal husbandry, and assign the latter a still more important position.

Capital construction investment should be kept at the 1986 level.

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## PROVINCIAL AFFAIRS

### BRIEFS

SHANDONG INVESTMENT CONTROLS--In 1986, Shandong Province has basically fulfilled the state-assigned plan for controlling investment in fixed assets. So far, there are 1,652 large, medium-sized, and small projects under construction among local state units throughout the province. These projects require a total investment of 5.59 billion yuan; of this, 1.36 billion yuan was invested this year. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 21 Nov 86 SK] /6662

QINGHAI INDUSTRIAL SUCCESSES, PROBLEMS--Qinghai Province has fulfilled its plan of increasing industrial output by 8.9 percent in the first year of the Seventh 5-Year Plan. It is certain that output value for the year will reach 2.2 billion yuan. The steady and coordinated development of the province's industrial production this year is mainly shown in the following respects: We have maintained synchronous increase in growth rate, taxes and profits, and financial revenue; growth of light industry has markedly exceeded that of heavy industry; and collective ownership industry has developed faster than that under all-people ownership. Initial results have been achieved in readjusting the product mix. A responsible person of the Provincial Finance and Economics Commission points out that the main problems in the province's industrial production this year are, as before, poor product quality, little variety, and lack of competitiveness. Stockpiles have led to reduced output. The circulation of floating capital is slow, and too much capital is tied up in finished goods. This affects the improving of economic results. [Excerpts] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 29 Dec 86 HK] /6662

HUNAN SPARK PLAN--On 17 December, while listening to a report by the provincial science and technology commission, Governor Xiong Qingquan felt satisfied with the achievement that 25 percent of the 127 projects covered by the spark plan carried out by Hunan Province had been put into operation and that their output value had approximated 100 million yuan. Governor Xiong said that our province had made a good start in the spark plan and that we must push the spark plan a step forward next year. The total amount of investment in the spark plan made by our whole province was some 130 million yuan. If all projects were put into operation, their output value would be some 900 million yuan and the amount of taxes and profits some 200 million yuan. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 26 Dec 86 HK] /6662

HEILONGJIANG STATE CONSTRUCTION PROJECTS--The 15 large and medium-sized construction projects arranged by the state to be built in our province this year were completed by 20 December as scheduled. These projects include the first-phase work of the Daqing 300,000-ton ethylene project, the Daqing oil-field prospecting and development project, the double-tracked Binzhou and Binsui lines, the first 200,000-kilowatt power generating equipment of the Harbin No 3 Power Plant, and the Hebei and Dahinggan Ling forestry projects. Investment in these projects totaled 1,276.97 million yuan. Completion of these projects will enable the state to increase its annual crude oil production capacity by 3.18 million tons, power generating capacity by 1.2 billion kwh, the railway transportation capacity 19.4 million tons, the organic chemical industrial material production capacity by 10 types, totaling 220,000 tons, and timber processing capacity by 290,000 cubic meters. [Text]  
[Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 29 Dec 86 SK]  
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ZHEJIANG PROVINCE INDUSTRIAL GROWTH--Hangzhou, December 28 (XINHUA)--East China's coastal province of Zhejiang reported a 15 percent increase in total industrial output value, throwing all other provinces behind. According to Zhejiang provincial authorities, the province's total industrial output value has topped 50 billion yuan this year, about 15 percent more than last year. The province also led the country in the increases in profits and taxes delivered to the state by state-owned enterprises, the provincial authorities said. Industry in Zhejiang has grown steadily ever since 1979 when the country began to implement the economic reform program. In terms of industrial growth speed, it jumped from the 14th place to the sixth last year in the national ranking. The provincial authorities said that the industrial situation in the first half of this year was not satisfactory and it did not improve until the latter half of this year when the province strengthened overall economic control and increased the production of marketable and export goods, which have boosted its industrial output value and help improve the economic results. [Text] [Beijing XINHUA in English 1608 GMT 28 Dec 86 OW]  
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## FOREIGN TRADE, INVESTMENT

### REFORM OF FOREIGN TRADE SYSTEM REVIEWED

Tianjin ZHONGQINGNIAN JINGJI LUNTAN [YOUNG ECONOMISTS' FORUM] in Chinese  
No 4, August 1986 pp 58-60

[Article by Zhao Liping [6392 4539 1627], Foreign Trade University: "Some Views on China's Future Foreign Trade Strategy and Reform of the Foreign Trade System"]

[Text] If economically backward countries are to catch up with the developed countries, their rate of economic growth over a relatively long period of time will have to be higher than the average rate of the world economy. A country's import needs are determined by that country's economic growth, whereas exports are controlled by world economic growth. Therefore the most glaring problem encountered in sustaining such a rate over a long period of time is necessarily a foreign trade deficit. Generally speaking, after the economy of a less developed country takes off, import coefficients (ratio of imports to gross domestic product) always tend to rise steadily, which in turn exacerbates the problem of trade deficits. Although foreign capital can be used temporarily to make up the deficit, loans must eventually be repaid, and ultimately the burden falls on exports. For this reason, whether exports can be effectively increased and the share of the country's exports in the world market steadily expanded becomes the key to whether the country can realize its goals of economic growth. International experience indicates that it is necessary for a country to gain a firm foothold in the fiercely competitive international market and expand its sphere of influence. Exclusive reliance on a few financial and credit measures to encourage exports is far from adequate; an overall economic development strategy emphasizing exports must be adopted and a flexible foreign-trade system must be established.

If China is to achieve its goal of quadrupling total industrial and agricultural output value by the end of the century, the annual growth rate of the CDP should reach 6.6 percent, but it is universally forecast that over the next 15 years the developed countries will only be able to achieve an annual average GDP growth rate of about 3.5 percent, a discrepancy of nearly 100 percent. China's import coefficient (figured as the ratio of imports to national income) for 1970 was 2.9 percent; in 1980 this rose to 7.9 percent and again in 1984 to 9.9 percent. From now on, the import component of unit investments must also be increased in order to make the greatest possible use of advanced technology in production and construction; in order to exploit the advantages of China's

labor force, productive sectors relying on imported raw materials must also be developed; the proportion of expenditures on imports in domestic consumption is also experiencing a strong upward trend. For these reasons, China's import coefficient will also have to go up in future. Therefore, for a relatively long time to come, only a small part of the huge deficits occurring in China's foreign trade can be compensated by nontrade surpluses. Most will have to be compensated temporarily by foreign capital, as well as future exports. Clearly, whether exports can actually be increased has become the key to whether economic development goals can be realized without falling into the quagmire of debt. Today the position of foreign trade in the Chinese economy has risen from one of general importance to a determinant strategic position.

How can exports really be increased? Financial and credit subsidies are needed, but these measures cannot be viewed as the main means; a fundamental solution must be sought. The fundamental solution is to adopt an overall economic development strategy of "exports first," and to thoroughly reform the foreign-trade system.

Implementing an export strategy first requires that increasing exports be made a primary focus of the long-term deployment of China's economic development to ensure the priority position and development of exports, so that the rate of growth in exports will be faster than the growth of the domestic economy and faster than the growth of world trade. Moreover, slightly faster is not enough; it must be much faster and must meet the requirements of the target growth rate. China currently has four SEZ's and eastern coastal zones that have been opened up for economic development according to a sequence of "trade, industry, and agriculture," thus establishing the beginnings of an economy oriented toward foreign trade. These must now be vigorously consolidated and the conditions created for their gradual inward expansion to increase their effects. But this is still not enough. At the same time, a way should be found to make the interior flourish, so that many processing industries will implement the "exports first" strategy. Some comrades believe that for a large country like China a strategy emphasizing exports does not accord with national conditions. This is not the case. What should be focused on in selecting a strategy is not the size of the country but rather whether the crucial constraints on economic development can be overcome. Although China is large, with a fairly complete productive sector and a vast domestic market, if we truly wish to sustain a growth rate faster than the world economy's over a long period of time and ultimately catch up with the developed countries, it is also necessary to import large amounts of technology, and to participate on an ever-increasing scale in the international division of labor so as to upgrade the domestic industrial structure. And this cannot be achieved without large-scale imports. Therefore, exports are necessarily the crucial constraint on Chinese economic development. If this constraint is to be effectively overcome, there is no better alternative than to adopt a strategy emphasizing exports. Seeking first to provide substitutes for imports and then, after constituting a system, striving for self-perfection and independent development is a road that China has already traveled for many years; experience has shown that this road leads nowhere. Hoping to support high-speed growth in the

entire economy merely by setting up a few export processing areas or a miniature foreign-trade-oriented economy is also unfeasible. This is because, for China, if any local area wishes to engage in large-scale exporting, it must first make use of advanced technologies and equipment and seek out a suitable position in the international division-of-labor system, and this necessarily involves large-scale imports. Counterbalancing imports with exports to achieve self-balance is fine; but even if there are some surpluses, using them to compensate for the entire country's trade deficit is completely inadequate and cannot solve the basic problem.

As the growth of the post-war world economy shows, in today's world, if the less developed countries are to catch up, the only effective way for them to do so is to concentrate on developing exports; otherwise they will be unable to achieve any real success. By relying on "exports first," Japan's economy managed to change from backward to advanced; South Korea, Singapore, Hong Kong, and Taiwan have also achieved startling results. But these less developed countries that have adhered to a strategy of import substitution have not yet seen any major improvement. Furthermore, if we look at the course of development of a number of large, populous countries with abundant resources, whenever they have experienced rapid and healthy economic growth, they have also been successful in expanding their exports.

In terms of strategic emphasis and the relationship between the rate of growth in exports and that of the overall economy, "exports first" certainly does not imply that the vast majority of domestic economic activity should center on exports. Some comrades mistakenly believe this and consequently are skeptical of the need for a large country to adopt this strategy. In reality, to date Japan's exports have not exceeded around 13 percent of her GDP (this article does not use the term "export oriented" so as to avoid this misunderstanding).

Implementation of the "exports first" strategy must be accompanied by a reform of the foreign-trade system. The primary goal of reform of the foreign-trade system is to fundamentally solve the problem of developing exports, whereas the primary goal of reform of the overall economic system is to fundamentally solve the problem of developing the entire economy. Since exports will be the crucial constraint on future economic growth, and given the necessity of adopting the "exports first" strategy, it is proposed that in future reforms of the economic system priority be given to reforming the foreign-trade system; reforms in other areas should be beneficial in reforming the foreign-trade system and should promote the long-term development of exports.

Reform of the foreign-trade system includes two aspects: reform of the operational system, and reform of the management system. The goal of reform of the operational system is to mobilize enterprise enthusiasm for exports and to improve efficiency and results in import-export activities. To this end, reform of the operational system should be aimed at turning over operational authority over imports and exports to domestic producers, and, on this basis, the producers should develop diverse forms of autonomous, horizontal

alliances and cooperation according to various types of products, thereby creating such diverse, concurrent forms of flexible and highly efficient operational systems as integrated industry and trade, integrated technology and trade, integrated agriculture and trade, procurement systems, agency systems, and enterprise autonomy.

Once producers have operational authority over exports, the state should also take incentive measures in the areas of finance and credit, so that the profit motive will prompt enterprises to strive for exports. Once producers have enthusiasm and initiative, there will be an increase in products adapted to their market, and the shortage of sources of exports that has existed for so long will be completely turned around. The export commodity structure formed on this basis will also be better suited to China's relative advantages. It is the enterprises that are in the best position for understanding China's relative advantages, even though they may be unaware of it. The value component of commodities can only be reflected through the market place; the structure of export goods suited to China's relative advantages can only be created through the combined effects of the masses of domestic enterprises and the international market.

Once producers have authority over imports, it will be possible for them to select the optimum input composition at the international level, which will improve production efficiency and product quality, and this in turn will promote the further development of exports. The goal of management-system reform lies in strengthening macroeconomic control over foreign trade; that is, better maintaining normal order in import-export activity, adjusting the proportional relationship between foreign trade and the domestic economy, and ensuring a basic balance in international revenue and expenditure. To this end, reform of the management system is aimed at thoroughly implementing a separation of government and enterprise in the foreign-trade management system, thereby creating a national structure truly capable of exerting macroeconomic control over foreign trade. According to the economic policy theory of J. Tinbergen, (the first Nobel laureate in economics), if several economic targets are sought at the same time, it is necessary to have several relatively independent policy tools. In a closed economy, there are two macroeconomic targets to be achieved at the same time: economic growth and currency stability. Therefore there must be two relatively independent policy tools, financial policy and monetary policy. At present the major banks of many developed countries are independent of national financial administration. (In the past, when China's economic growth was faster, the problem of inflation or inflationary pressure was also greater; the reason for this lies in the absence of control by any relatively independent monetary policy. As the People's Bank of China takes on the functions of a central bank and its status continues to rise, this situation is changing.) In an open economy, there are three targets to be achieved at the same time: economic growth, currency stability, and balance in international revenue and expenditure. There must therefore be three relatively independent policy tools: financial policy, monetary policy, and foreign-trade policy. At present China's Ministry of Foreign Economic Relations and Trade must bear responsibility for setting import plans according to the scale of financial revenue and expenditure

and making exchange-generating assignments according to financial subsidies and supports; lacking the appropriate relative independence, it has difficulty in effectively exerting macroeconomic control. Two years ago, when the domestic economy was growing rapidly and inflation was relatively strong, the foreign-trade deficit was also surprisingly large; this was directly related to the lack of controls by a relatively independent foreign-trade policy. If China's economy is now to sustain stable growth for a long period of time, there must be a system of macroeconomic control coordinated by the State Council and conditioned by the "three separately established authorities" of finance, currency, and foreign trade. In future reforms of the economic system as a whole, the ordered import-export plans set by the Ministry of Foreign Economic Relations and Trade should be gradually eliminated so as to separate government and enterprise and create a national structure truly exercising macroeconomic control over foreign trade.

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## FOREIGN TRADE, INVESTMENT

### ECONOMIC COOPERATION WITH ASEAN NATIONS SHOWS RAPID GROWTH

HK210750 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1422 GMT 18 Dec 86

[Report: "Rapid Development of Sino-ASEAN Economic Cooperation"]

[Text] Beijing, 18 Dec (ZHONGGUO XINWEN SHE)--A reference provided by the International Trade Research Institute of the Chinese Ministry of Foreign Economic Relations and Trade indicates that trade and economic cooperation between China and the ASEAN nations have developed rapidly over the past few years.

#### A Fivefold Increase in Trade in 10 Years

The volume of trade between China and the six ASEAN nations amounted to only \$524 million in 1975 but rose to \$3.267 billion last year, a fivefold increase in 10 years. It has been estimated that despite the increase in the imports and exports between the two sides, their trade volume will drop this year as a result of the fall in world oil prices. China's exports to the ASEAN nations mainly include oil, oil products, food, textiles, Chinese medicinal materials, industrial chemicals, and agricultural machinery, whereas the commodities it imports from the ASEAN nations are agricultural products, rolled steel, offshore drilling platforms, kinescopes, refrigerators, and chemical fibers, apart from traditional commodities such as rubber and timber.

#### Running Joint-Ventures

In addition, mutual investments in recent years, and in particular investments made by the ASEAN nations in China, have been very active. In 1985 alone, 98 contracts on running joint-ventures in China were signed between the ASEAN nations and China. Mutual investments include projects of a productive nature such as electronic products, building materials, clothes, and motorcycles, as well as projects of a nonproductive nature such as tourism, restaurants, storehouses, and shipping. Large projects with bilateral investments are the Beijing Zhengda Fodder Company Limited run with Sino-Thai joint capital, the Beijing World Trade Center run with a Sino-Malaysian joint investment totaling \$195 million, and the Chiwan Oil Base Company in Shenzhen run with Sino-Singaporean joint capital.

## The Remaining Problems

There are still problems to be resolved although trade between China and the ASEAN nations has witnessed rapid development. The first point is that trade development between China and individual ASEAN nations is not balanced. Last year the volume of trade between China and Singapore accounted for 69.8 percent of the total volume of trade between China and all of the ASEAN nations, whereas the volume of trade between China and the rest of the ASEAN nations accounted for only a little over 30 percent. The second point is that there is too large a favorable balance of trade for China. The third point is that the ASEAN nations hope to carry out more direct trade with China and reduce the percentage of reexport trade. In addition, there is a need to adjust and change the bilateral trade structure, which still takes primary products as its main component.

In spite of all this, China and the ASEAN nations feel that the prospects for economic cooperation are bright. China will take detailed measures to change the above situation, including increasing the imports and exports of processed industrial products, enhancing the competitiveness of products, and improving the design, quality, packing, and after-sales service of products.

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CSO: 4006/223

## FOREIGN TRADE, INVESTMENT

### TRADE WITH SINGAPORE SHOWS RISE IN 1985

OW031941 Beijing XINHUA in English 1620 GMT 3 Dec 86

[Text] Singapore, December 3 (XINHUA)--Singapore trade in 1985 [as received] fell by 4 percent to 108 billion Singapore dollars (49.1 billion U.S. dollars), the first decline in nine years, the Trade Development Board announced today.

The board said in its annual report 1985-1986 that the country's imports fell by 5.4 percent last year while exports declined by 2.3 percent. Overall, Singapore's trade balance improved by 2.2 billion Singapore dollars (about 1 billion U.S. dollars).

However, it pointed out that Singapore's trade with a number of developing countries in 1985 showed an encouraging growth, particularly with China and countries in South Asia and the Middle East.

The total trade with China rose by 67.7 percent to 5.7 billion Singapore dollars (2.6 billion U.S. dollars) in 1985 with imports amounting close to 5 billion Singapore dollars (about 2 billion U.S. dollars), the report said.

The United States, Malaysia and the European Communities remained as Singapore's top trading partners.

Singapore's domestic exports fell by 1.9 percent last year. Main products affected were electronic components, ships and boats, garments and vegetable oils. However, exports of computers and computer peripherals and printed circuit boards were encouraging with 34 percent and 27 percent growth recorded respectively.

Re-exports declined by 3 percent due to a fall in commodity prices and depressed global demand for primary commodities, especially rubber and timber. But, re-exports of semi-manufactured and capital goods improved. Trading in petroleum products and aircraft also increased last year.

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## FOREIGN TRADE, INVESTMENT

### THAI TRADE EXPECTED TO APPROACH \$400 MILLION

HK090124 Beijing CHINA DAILY in English 9 Dec 86 p 2

[Article by staff reporter Zhao Jinming]

[Text] In recent years, Sino-Thai economic cooperation has seen rapid development. Investors on both sides are gearing up for further investment in each country.

In the first nine months of this year, the two-way trade volume reached more than \$245 million. Of the sum, China imported \$163 million worth of goods from Thailand while its exports were valued at \$82 million, according to an official of the Foreign Economic Relations and Trade Ministry.

By the end of this year, the bilateral trade volume is expected to be near \$400 million, the official said.

The Chinese and Thai governments have agreed in principle to boost the annual trade volume to \$800 million in the next five years, Charin Hansuebsai, commercial councillor of the Thai Embassy in Beijing, told CHINA DAILY.

To reach that goal, the two sides will seek more methods of cooperation including balancing imports and exports, he said.

Thailand mainly exports maize, rice, rubber, sugar, mung beans, timber, nylon yarn, zinc and tobacco to China, while it imports diesel fuel, lubricants, cotton, coal, chemical products, raw silk, farming machinery and tools from China.

Since 1975, when the two countries established diplomatic relations, China and Thailand have signed a series of trade agreements with the aim of expanding trade, the councillor said.

The first trade agreement was signed in 1978. In the same year, the two governments concluded an agreement to set up a joint trade committee.

From 1979 onward, a protocol on imports and exports was signed every year.

In an effort to encourage investment in both countries, the two sides signed an agreement on protection of investment in 1985. In October of this year, an agreement to avoid double taxation was initialed.

As a result, bilateral trade volume has increased. In the past two years, though the depressed world economy has had a negative effect on Sino-Thai trade, the annual volume still remained at about \$300 million.

In addition, China has stressed expansion of imports from Thailand to reduce the trade surplus that has usually favored China.

With China opening wider to the outside world, cooperation between the two countries has expanded with the establishment of joint-venture businesses in each country.

By the end of last year, Thai entrepreneurs had set up 31 joint-ventures in China with a total investment of \$200 million.

These businesses, involving feed, motorcycles, glass and carpet industries, are located in the cities of Guangzhou, Shantou, Shanghai, Beijing and Tianjin, on Hainan Island and in Jilin Province.

Most of these businesses have been successful. For example, the Shanghai Yichu Motorcycle Company Ltd, co-funded by the Chia Tai Group of Thailand and the Shanghai Motor Vehicle and Tractor Corporation, was able to pay its Thai shareholders dividends worth \$1.9 million last year.

The Chia Tai Group has set up four joint-venture enterprises involving feed and motorcycle production. The group also plans to set up another joint-venture feed mill in Hunan Province.

China has established 20 joint-venture, cooperative and wholly-owned Chinese businesses in Thailand, mainly concerned with the construction, prospecting and machinery industries. Twelve of them have gone into operation.

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CSO: 4020/76

## FOREIGN TRADE, INVESTMENT

### YUNNAN ANNOUNCES STEPS TO ENCOURAGE FOREIGN INVESTMENT

HK310237 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 30 Dec 86

[Excerpt] The Yunnan Provincial People's Government held a press briefing in Kunming on 30 December to announce a number of regulations for encouraging foreign businessmen to invest in the province and also to present certificates of acknowledgement to those enterprises run with foreign investment that are producing goods for export and those are using advanced technology.

Vice Governor Zhu Kui said at the briefing: Our aim in announcing the provincial regulations for encouraging foreign businessmen to invest in Yunnan is to further improve the province's investment environment and continue to do a good job of operating the existing enterprises run with foreign investment, so as to do still better in attracting foreign businessmen to invest in Yunnan, and to provide advanced technology, develop export goods, and promote the province's economic development.

The regulations on encouraging foreign businessmen to invest in Yunnan stipulate favored treatment for enterprises run with foreign investment, especially those producing goods for export and those using advanced technology, in the following four respects:

1. Various charges are reduced. Enterprises producing goods for exports and those using advanced technology need not pay factory site fees for 5 years from the day they open. Such fees, to be paid beginning in the 6th year of operations, will not exceed 1.5 yuan per square meter. Such factories are exempted from paying the state subsidies for Chinese workers.
2. Taxes are reduced or waived. In addition to the state-regulated period of tax reductions or waivers plus reductions or waivers of local income tax, those enterprises run with foreign investment that are producing goods for export and those using advanced technology can continue to have their local income tax waived for 5 years.
3. The operational decision-making powers and legitimate interests of enterprises run with foreign investment are guaranteed. Apart from the departments authorized by the state to administer enterprises run with foreign investment, no unit or individual may arbitrarily interfere in the production operations of such enterprises.
4. Administrative efficiency and service are to be improved. The provincial government has decided to set up a joint work system involving the departments concerned to deal promptly with problems of reporting to higher authority and of production operations in enterprises run with foreign investment.

## FOREIGN TRADE, INVESTMENT

### HARBIN PROVIDES INCENTIVES FOR FOREIGN INVESTORS

OW281116 Beijing XINHUA in English 0632 GMT 28 Dec 86

[Text] Harbin, December 28 (XINHUA)--Northeast China city of Harbin offers a number of preferential terms for foreign investors as part of the effort to technically upgrade its enterprises and the quality of their products.

The offered terms include:

The export-oriented and technologically advanced enterprises will be exempt from income tax for eight years beginning from the first profit-making year, and after the expiration of the period for exemption, if their export value tops 50 percent of their total output value in a year, they may still be exempt from income tax for that year; and

The site use fees for such enterprises except those located in busy urban sectors of the city may also be exempt for four years beginning from the first year of their operation, and not more than two Rmb yuan per square meter should not be computed and charged beginning from the fifth year.

"If economic organizations and individuals from Hong Kong, Macao and Taiwan make investment in Harbin, they will enjoy even more preferential terms than others," said Li Jiating, vice-mayor of the city.

Harbin, capital of Heilongjiang Province, was approved in 1985 to enjoy the status of a province in terms of doing import and export business.

Speaking on a recent meeting on the city foreign trade, the vice-mayor said: "We will see to it that foreign investors have good prospects of gain."

Top priority will be given to the city's foreign investment enterprises in the supply of coal, electricity, oil, water and gas, and they will enjoy priorities in transport, allocation of raw materials, bank loans and recruitment of workers, he added.

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CSO: 4020/76

## FOREIGN TRADE, INVESTMENT

### LIAONING PROVINCE EXPORTS EXCEED TARGETS

OW281206 Beijing XINHUA in English 0836 GMT 28 Dec 86

[Text] Shenyang, December 28 (XINHUA)--Liaoning Province, China's heavy industrial center, has greatly boosted its exports this year despite a reduction in bulk goods export, according to Wang Yongduo, deputy head of the province's foreign economic relations and trade commission.

Up to now, the province's exports have reached 1.15 billion U.S. dollars, 260 million U.S. dollars more than the planned target, breaking the 800 million U.S. dollar point which has remained for many years.

Wang attributed the export increase to the province's proper encouragement policies and the growing number of exporters and the opening of the Eastern European market.

Thanks to the economic reforms, Wang noted, the province has set up some 200 export commodity production centers with imported equipment and technology this year and these centers have provided more than half of the internationally competitive export goods.

In addition, the number of export companies has come to nearly 80 as against only 20 two years ago.

Wang expects a further growth in the province's exports next year. He said that preparations for the opening of the Liaodong peninsula will soon be completed. The province will select 200 petrochemical, machinery, metallurgical, electronics and building material projects from among the 20,000 enterprises and offer them for discussion at a trade symposium scheduled for the beginning of next year.

Wang said that the province will further expand the Third World markets by opening trade relations with countries in North Africa and Latin America and the Gulf States and invigorate the barter trade with the Soviet Union and the Eastern European countries.

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## FOREIGN TRADE, INVESTMENT

### BRIEFS

**JOINT VENTURES CONSIDERED WITH MALAYSIA**--Hong Kong, December 18 (XINHUA)--China is keen to invest in four projects in Malaysia, according to an OANA-BERNAMA report from Kuala Lumpur today. The discussion between Chinese and Malaysian officials on the setting up of a joint venture project in Malaysia to manufacture diesel engines for both domestic and foreign markets has gotten off to a good start, the report said. The diesel engine project is under discussion between officials of Malaysia's Pahang State Economic Development Corporation and China's Yunnan Province. The other three projects are a vermicelli factory, a television components manufacturing plant and a medium-sized hydropower station. The discussion is a spin-off of the ongoing fourth China business conference which has attracted a high-powered Chinese delegation and Malaysian business leaders as well as government representatives. [Text] [Beijing XINHUA in English 1952 GMT 18 Dec 86 OW] /6662

**WUHAN ATTRACTS FOREIGN INVESTMENT**--Beijing, December 24 (XINHUA)--Wuhan, capital of central China's Hubei Province, has induced 69 million U.S. dollars in foreign investment since it was empowered to conclude deals directly with overseas firms in 1984. The amount is 10 times the total for the five years preceding 1984, according to today's overseas edition of the PEOPLE'S DAILY. Since 1984, the Wuhan authorities have signed 59 cooperation agreements with firms from Britain, the Federal Republic of Germany, Italy, Japan, Singapore, Sweden, Switzerland and the United States, as well as Hong Kong. The paper said that cooperation covers such areas as machine-building, telecommunications, textiles, electronics, foodstuffs, light industry, arts and crafts, plastics and motor vehicle repair. Now, the focus of utilization of foreign investment will be placed on expanding export-oriented Wuhan businesses and the import of sophisticated technology. Earlier this year, the Wuhan authorities decided to grant better terms to foreign investors, including lower rates of labor services and land use fees, and tax perks. [Text] [Beijing XINHUA in English 1115 GMT 24 Dec 86 OW] /6662

CSO: 4020/76

## ECONOMIC ZONES

### SHANTOU ECONOMIC ZONE SHOWS STEADY GROWTH

OW281226 Beijing XINHUA in English 1030 GMT 28 Dec 86

[Text] Guangzhou, December 28 (XINHUA)--Industrial and agricultural output value in the Shantou Special Economic Zone (SEZ) topped 110 million yuan in January-November period this year, 2.28 times the figure for the same 1985 period, according to local statistics.

"During the same period, the zone earned 66 million U.S. dollars through exports, an increase of 27 percent," a local official told XINHUA today.

The Shantou SEZ is one of China's four such zones, designated by China's central government, open to foreign investment and technology.

Enterprises involving textiles, garment-processing, building materials production, plastics and foodstuff processing have been established in the past several years in the zone.

The local official said: "Eighty of these enterprises here now export more than 75 percent of their products."

To develop the zone's agricultural and aquatic resources, an aquatic and eel breeding development company, a joint-venture between the Shantou zone and the Shantou Prefecture, is engaged in breeding eels for export. A dozen eel breeding farms have been set up in coastal counties.

Up to now, Shantou has set up more than 20 agricultural enterprises on 200 hectares of land and 666 hectares of breeding waters. These areas now produce oranges, vegetables, mushrooms, eels, crabs and prawns for export.

"Agricultural produce exports account for more than 40 percent of Shantou's total exports," the local official added.

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CSO: 4020/76

## ECONOMIC ZONES

### MAYORS URGE SETTING UP INTERIOR ECONOMIC ZONES

HK150244 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1433 GMT 14 Dec 86

[Report: "Mayors and Representatives of 23 Cities in Central China Appeal for Establishment of Special Economic Zones in Interior" -- Zhongguo Xinwen She headline]

[Text] Wuhan, 14 Dec (Zhongguo Xinwen She)--Mayors and representatives from 23 central cities along the Changjiang today called for the state to select a number of central cities with good conditions to establish special economic zones or economic development zones which can enjoy the same preferential treatment as the coastal economic development zones.

They made the above appeal at the "second meeting of central cities along the Changjiang," which is being held in Wuhan.

Such central cities like Nanjing, Wuhan, Chongqing, Jiujiang, and Shashi have the experience and tradition of opening up to the outside world, and they have many traditional export products. These cities also have international influence, and they are known as open cities in interior China in modern history.

The Mayors and economic experts from the 23 cities along the Changjiang pointed out that if these cities can be opened again, they will very quickly become new economic and cultural links between China and the outside world, and will promote the economic development in the entire Changjiang basin.

At present, commodity exchanges in various central cities along the Changjiang are rather active and brisk. However, there are still mainly elementary markets and foreign trade still accounts for a small proportion. The economic structure is still an inwardly oriented type. The establishment of some interior special economic zones and economic development zones, or some free trade and processing industrial zones, will be the major step for the transition to an outwardly oriented economic structure.

Some information shows that the major cities along the Changjiang are now the objects of consideration when overseas, Hong Kong, and Macao capital is to be invested in China (in the forms of joint ventures, enterprises solely with foreign capital, cooperation projects, or compensation trade). The foreign investors are particularly interested in the low transport costs in these cities.

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## ECONOMIC ZONES

### SHANGHAI, FUJIAN SIGN ECONOMIC COOPERATION ACCORD

OW260237 Shanghai City Service in Mandarin 0100 GMT 23 Dec 86

[Text] Fujian Province and Shanghai Municipality agreed to establish an all-round economic and technological cooperation relationship. Yesterday afternoon, Vice Governor You Dexin and Vice Mayor Ye Gongqi signed a cooperation agreement at the Shanghai Exhibition Center. The agreement said: Shanghai and Fujian will jointly utilize the Xiamen Special Economic Zone. In accordance with the Central Government's special policy for the Xiamen Special Economic Zone, export products jointly produced by Shanghai and Xiamen will be considered as special zone products. As for the foreign exchange earned through exports, Xiamen City will keep 20 percent, the remaining 80 percent Beijing set aside for joint enterprises.

The agreement said: Both sides also agreed to cooperate extensively in attracting foreign capital, importing technology and equipment, developing new products, processing, earning foreign exchange through exports, conducting economic exchanges with foreign countries, and in the areas of communications and transportation. Fujian is willing to offer its rich natural resources, such as nonmetal minerals, forestry, aquatic products, and native produce, to support Shanghai. Shanghai is willing to support Fujian in areas of management, personnel, science, and technology.

The agreement stressed: Both governments will strive to create a good atmosphere to facilitate cooperation among enterprises. As for lateral cooperation among enterprises, both governments will provide ideological guidance, organizational assistance, give policy encouragement and legal protection, and fully respect the autonomy of enterprises.

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## ECONOMIC ZONES

### JIANGSU REGULATIONS ON ECONOMIC ZONES EFFECTIVE

OW300549 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 25 Dec 86

[Text] The Jiangsu Provincial Regulations on the Management of the Economic and Technical Development Zones, approved by the 23d Session of the 6th Jiangsu Provincial People's Congress Standing Committee, have come into effect today. These are the first local regulations concerning foreign economic affairs formulated by the organ of state power in our province. These regulations were formulated in accordance with our country's relevant laws and regulations, and in light of the actual situation in our province. They are applicable to the economic and technical development zones set up in our province with the State Council's approval.

The purpose in formulating the regulations is to develop economic and technical cooperation with foreign countries, attract foreign capital, import advanced technology and knowledge of scientific management, develop new industries, expand exports, develop an international market, and strengthen the economic and technical ties and coordination with units in Jiangsu and other provinces to promote development of the economy and technology.

The regulations stipulate that any unit or individual in the development zones must observe China's laws and regulations, and that property, legitimate rights and interests in the development zones are protected by law. The regulations encourage foreign firms to invest in export enterprises with advanced technology, scientific research organizations, and basic facilities in the development zones. The regulations also give complete and specific stipulations concerning preferential treatment for foreign firms investing in enterprises in the development zones.

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CSO: 4006/223

## FINANCE, BANKING

### FOREIGN EXCHANGE MANAGEMENT EXAMINED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 1986 pp 43-45

[Article by Tang Gengyao [0781 6342 1031]: "China's Foreign Exchange Management--Basic Facts and Major Problems"]

#### [Excerpts] I. Basic Facts About Foreign Exchange Management

Since the 3d Plenum of the 11th CPC Central Committee, flaws in the foreign exchange management system have become increasingly evident: problems like rigid control, "eating out of the big pot," ignorance of economic measures, forfeiture of economic results, and failure to stimulate local and enterprise enthusiasm in bringing in foreign exchanges are prevalent. These flaws are incompatible with our process of restructuring the economic system and our policies of enlivening the domestic economy and opening up to the outside world. To rectify this situation, China has adopted further reforms in foreign exchange management and has accomplished certain results.

First, we have established a national foreign exchange management organ and defined the central bank's duties in the management of foreign exchange. In the past China's foreign exchange was placed under the management of various separate departments rather than a single specialized organ. In March, the State Council authorized the establishment of a national foreign exchange management head office in charge of all foreign exchange matters. Subsequent to the designation of the People's Bank of China as a central bank, the State Council has placed the national foreign exchange management head office under the guidance of the People's Bank and renamed it the National Foreign Exchange Management Bureau without modifying its functions.

Second, we proclaimed interim regulations on unified national foreign exchange management and formulated a series of detailed rules and regulations so that we have a set of laws to follow and can meet the needs of the new conditions of opening up to the outside world and enlivening the domestic economy.

Third, we have implemented a foreign exchange retention system and aroused the enthusiasm of units and the enterprises in bringing in foreign

exchange. The percentage of foreign exchange retained is based on the nature and target of foreign exchange earnings; it tends to be higher in some departments with newly launched operations, and in remote border areas.

Fourth, we have adjusted the value of the RMB. Since last year, in order to encourage exports and promote reform in the foreign trade system, the value of the RMB has been lowered in compliance with developments in China's commodity economy and domestic product price adjustments as well as national and international price fluctuations. Lowering the value of the RMB promotes exports and improves our balance of payments.

Fifth, we have compiled and published statistics on the country's international balance of payments. Our economic policies of opening to the outside world and enlivening the domestic economy have fostered growth in foreign trade and brought in foreign capital and advanced technologies resulting in a large increase in the balance of payments. Total import and export trade in 1985 increased more than 200 percent over the 1978 figure and reached \$60 billion. From 1979 to the end of September 1985, foreign capital accumulation and utilization amounted to \$20 billion. Since 1982, we have spent 3 years to compile statistics on China's balance of payments. Last year it was approved by the State Council for publication. This project provides the country with the basis for determining the overall scale and speed of opening to the outside world; it also enables international financial institutions and foreign investors to understand better China's balance of payments situation. Therefore it is a significant task.

## II. Immediate Situation Facing Foreign Exchange Management

Today foreign exchange plays an increasingly significant role in our national economy. We are a developing nation facing a tremendous economic construction task. We need to introduce a substantial amount of advanced technologies from abroad and import much advanced equipment and industrial raw materials. Foreign exchange is vital to all these. Foreign exchange management is put on the agenda of the leadership at all levels.

Shortage of foreign exchange can be expected to prevail for some time to come. Within the next several years there will not be an abundance of foreign exchange available. This is due, first, to the fact that during the Seventh 5-Year Plan we must augment our energy, transportation, and port facility construction projects and strengthen our infrastructure; we must launch technological transformation in our antiquated enterprises. All these undertakings require large sums of foreign exchange and capital. Second, we do not expect significant increases in our exports in the near future. Our commodity export structure is archaic; we lack competitiveness and are susceptible to international market fluctuations and trade protectionism. Utilizing foreign capital entails years of repayment of principal with interest; it drains our profits and incurs substantial foreign exchange payments. In addition, misuse of foreign capital can contribute to excess demand for foreign exchange.

### III. Major Problems To Be Studied and Solved

In view of the above situation facing foreign exchange management, and based on the needs of China's further reform in foreign trade and foreign exchange management systems, we should study and solve the following problems:

A. Enhance the foreign exchange management function of the central banks. Concurrent with utilizing planning and administrative and other direct measures, the central banks should consider indirect economic measures to increase and improve macro control over foreign exchange. The central banks are the principal regulators of our national economy; they are the hub of capital redistribution. Through controlling and regulating domestic currencies and foreign currencies, and through adjustments in exchange and interest rates, the central banks can maintain monetary stability and at the same time promote continuous economic growth.

B. Modify the system of foreign exchange retention. Foreign exchange retention is essentially a question of utilization of foreign exchange by the central and local governments and departments. To guarantee the nation's key construction projects, the central government must control foreign exchange and capital. On the other hand, in order to mobilize local and departmental enthusiasm and expand production and enliven enterprises they must be allowed to retain a reasonable share of the foreign exchange based on the amount of funds they helped create. The present problem lies in inequitable allocations: the retained amount is redistributed from the administrative organs downward; enterprises which bring in the funds end up with the least amount. In future, the system should be analyzed and improved based on the principle of integrating uniformity and balance with the ability to enlist local and departmental enthusiasm.

C. Enhance unified management of foreign debts and foreign exchange. This management authority should be delegated to the central government. The bulk of China's construction capital comes from our own self-reliance and hard work and internal accumulations, but we must also seek essential, realistic, and lucrative foreign capital to accelerate the progress of modernization constructions. But before we borrow any money from abroad, before we issue any bonds, we must have an overall plan; we must have a unified stance in dealing with external matters, and we must centralize management. Our annual payments of principal and interest should be within a certain percentage of our foreign exchange earnings to guarantee the continuous, stable, and congruous growth of our national economy. We must have comprehensive planning, rational allocation and strong management of our nation's foreign exchange distribution and utilization.

D. Establish a foreign exchange financial system which is centered around the central banks but able to accommodate a diversity of financial institutions to enliven foreign exchange operations. To adapt to the new conditions of the restructured economic system there should be corresponding changes in the foreign banking system. The Bank of China specializes

in foreign exchange operations; in the future, other specialized banks and financial institutions should be permitted to participate in foreign exchange operations. In addition to the SEZ's, foreign banks or Chinese-foreign joint venture banks should be allowed, gradually and to a limited extent, to set up foreign exchange operations in a few qualified open cities. Banks and financial institutions should be allowed to circulate foreign currencies and funds among themselves and engage in short-terms loan business.

E. Utilize economic levers to regulate foreign exchange revenue and expenditure. With the expansion of the guiding plans and the growth of the commodity economy, the effects of market adjustments will be even more significant. We must learn to utilize currency valuation, foreign exchange, interest rates, and other economic levers to regulate the flow of foreign exchange. During the last 2 years there has been some adjustments in the value of the RMB. In the future, there should be further adjustments to accompany changes in foreign trade conditions and product price adjustments, and also to reflect the changes in domestic and international markets and the need to promote export trade, so that its value will be more realistic and its effect as an economic lever will be enhanced.

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## FINANCE, BANKING

### BANK PRESIDENT ON MONEY MARKET, BONDS, STOCKS

Chengdu SICHUAN RIBAO in Chinese 13 Sep 86 p 1

[Interview with Wang Zhong [3769 1813], president of the Sichuan Branch of the People's Bank, by SICHUAN RIBAO staff reporter; date and place not specified]

[Text] Comrade Wang Zhong, president of the Sichuan Branch of the People's Bank, recently answered our reporter's questions on the establishment of a money market and the "interim provisions of the provincial government for the control of corporate bonds and stocks."

[Question] Why is it necessary to gradually establish and develop a socialist money market?

[Answer] It is required for the planned development of a socialist commodity economy, an inevitable trend in the structural economic reform. As commodity trade extends in all directions, it requires the services of a crisscross financial network, and lateral economic cooperation gives rise to the need for lateral loan funds. These are things which must be handled through a money market. At present, bank credits are extended mainly to government departments which in turn distribute funds to units under their respective control. This kind of credit management cannot satisfy the need of the commodity market to operate with speed and flexibility. With a money market, credits are extended on the basis of commodity trade, and funds can be made available to facilitate and insure smooth commodity circulation. At the same time, as enterprises and individuals make more money, and as their investment goals differ, it is necessary to provide more diversified ways to handle their surplus cash. A money market can guide the flow of investment capital, provide a way to raise capital for those who need it, and encourage the quick movement of funds to places and products which promise good returns. Even the central bank needs a money market to help improve macrocontrol and increase regulative flexibility.

Money markets are generally divided into short- and long-term money markets. A short-term money market deals with short-term (under 1 year) money transactions which generally include loans from one bank to another, discount notes, short-term notes and bonds, etc. A long-term money market serves long-term (over 1 year) investment and loan transactions which

generally include bonds and debentures, corporate (enterprise) bonds, stocks, treasury bonds, etc.

Participants in money markets are mainly publicly owned financial institutions and enterprises. Transactions between participants generally result in changes in the management of enterprises, but not in the forms of their ownership.

[Question] What enterprises may issue bonds or stocks?

[Answer] To issue bonds or stocks, an enterprise must be a legally incorporated and registered economic entity with the status of a legal person. Bonds, which are a form of loan, can be issued by state-owned enterprises. Stocks, which by nature are related to property ownership, can be issued by stock enterprises and collective enterprises. In developing lateral economic cooperation, an enterprise can invest its own funds as shares in joint ventures. Of the stock issued by a new enterprise, no less than 30 percent of the shares must be subscribed for by the initiators. The total amount of bonds issued by an enterprise must not exceed the net value of its own assets.

[Question] How does an enterprise use the money raised by issuing bonds or stock?

[Answer] Funds raised by issuing bonds or stock should be used for investment which is in line with the state's macroeconomic decisions and economic development principles and policies, conducive to promoting technical progress and rationalizing the production structure, and in keeping with the principle of less investment, faster result, and better economic returns. Funds raised can be used as working capital or for investment in fixed assets. In the latter case, the investment must conform to relevant state provisions, go through specific approval procedures and be included in the overall scale of fixed assets investment. Nonfinancial institutions may not engage in credit business through issuance of bonds or stocks.

[Question] What units and individuals can buy bonds and stocks? What units and individuals cannot buy stocks?

[Answer] Fundraising should adhere to the principle of voluntary participation. It is forbidden for any unit or individual to forcibly apportion bonds or stock shares. Buyers of bonds and stocks are limited to individuals, enterprises, and institutions. Party and government organizations, mass organizations, cadres working in these organizations, and military personnel on active service may not buy stocks and receive dividends.

[Question] What are the stipulations about funds enterprises and institutions may use for investment?

[Answer] Institutions can only use their own surplus funds and extra-budgetary funds. Enterprises can only use their own idle cash which they are authorized to use as they see fit. They cannot use the working capital allocated by the state or their own funds which should be added into their working capital, nor can they use funds borrowed from banks or credit cooperatives, or taxes and profits which should be turned over to the state.

[Question] What are the rights and obligations of bond- and shareholders?

[Answer] Bondholders have the right to recover the principal plus interest on a specified date as provided for in the bonds. They have no right to take part in the administration and management of the enterprises, and are not responsible for losses sustained by the enterprises. Shareholders have the right to receive interest and dividend payments on their shares, and to take part in or supervise the administration and management of the enterprise according to the provisions of the articles of association of the stock enterprise. They are responsible for an enterprise's losses within the amount of the shares they hold in it, and run the risk of bankruptcy.

[Question] How do shareholders receive interest and dividend payments?

[Answer] There are two ways. 1. Shareholders receive only dividend and no interest payment. After paying taxes and setting aside funds for special projects, an enterprise distributes a part of the profit, if any, as dividends. Annual dividend distribution may not exceed 18 percent of the value of the shares. 2. Shareholders receive both interest and dividend payments. The enterprise pays interest to shareholders annually at an agreed-upon rate as a part of its operating costs. Whether there will be a dividend distribution depends on whether there is a profit or loss. The interest rate on shares collectively owned by a unit may not be higher than the announced interest rate paid on unit-owned 1-year time deposits. The interest rate on shares owned by individuals may not be higher than the announced interest rate paid by banks on 1-year personal savings deposits. The sum total of interest and dividend distribution may not exceed 15 percent of the face value of the shares.

[Question] What is the interest rate on bonds?

[Answer] The interest rate on bonds may not be more than 20 percent higher than the rate banks pay to units and individuals on time deposits for the same period of time. The part of bond interest computed at bank interest rate is paid by the enterprise as a part of its operating costs, and the part in excess of bank rate is paid from profit retained after taxes.

[Question] Can stocks and bonds be transferred?

[Answer] Stocks and bonds can be transferred through the financial institutions which are the issuing agents. Stocks and bonds can also be used as collaterals when applying for loans from specialized banks.

[Question] Why must an enterprise obtain the People's Bank's approval before issuing bonds or stock?

[Answer] It is the regulation of this province that to issue bonds or stocks of 100,000 yuan or more, an enterprise must have the approval of the People's Bank in order to strengthen control of the financial market and maintain normal socialist financial order. This is a function entrusted to the People's Bank by the state. The "Interim Regulations of the People's Republic of China for the Control of Banks" issued by the State Council stipulates that the People's Bank has the duty to control enterprise stocks, bonds, and other securities and the financial market. Experience has shown that through the examination and approval of fundraising requests of enterprises, the People's Bank will obtain information on the enterprises' own financial resources, future economic prospects, and so forth, and encourage them to do things strictly according to rules and procedures. This can, on the one hand, enhance the credibility of the issuing units and contribute to the success of the bonds or stocks issued, and, on the other hand, help guide the flow of capital to where it is needed most and will produce the best results for the four modernizations drive. It can also insure that the amount of capital available on the money market will not get out of control so that a basic balance can be achieved between total supply and total demand. Even more important, it will help protect the buyers' legal rights and interests and prevent bad consequences from occurring.

The People's Bank has the power to investigate and put an end to unauthorized fundraising and to order the return of funds already raised. The establishment of nonbanking financial institutions must have the prior approval of the People's Bank.

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## FINANCE, BANKING

### JINGJI RIBAO ON ENTERPRISE BANKRUPTCY LAW

HK110659 Beijing JINGJI RIBAO in Chinese 3 Dec 86 p 1

["Special Feature" by reporter Tao Guofeng (7118 0948 1496): "Born in a Democratic Atmosphere"--written at the time the Enterprise Bankruptcy Law (Trial) was adopted]

[Text] On the morning of 2 December 1986, the sun was slow to come out, making the Beijing winter appear especially dry and chilling. The chrysanthemum flowers in full bloom in a first-floor conference room in the southern section of the Great Hall of the People gave an impression of autumn being still with us. The 18th meeting of the Standing Committee of the 6th NPC was holding its final full session here. The "PRC Enterprise Bankruptcy Law (Trial)" would be put to the vote at the session.

The suggestion for formulation of the bankruptcy law was first put forward at the First Session of the Sixth NPC. On 29 December 1984, the State Council allowed the department concerned to establish a drafting group. In September the next year, legal opinions began to be solicited. After the process of soliciting opinions and investigations and studies, the drafting group worked out a draft, revised on the basis of views obtained. On 31 January 1986, the Standing Committee of the State Council adopted this draft in principle. In June this year, the draft was referred to the 16th Session of the 6th NPC for examination.

On the necessity for formulating this bankruptcy law, all sides showed unanimous understanding. But there were different views about whether conditions for its implementation existed. During the 17th meeting of the Standing Committee of the 6th NPC, controversy over the bankruptcy law focused on this point.

One view put forward was that the introduction of the bankruptcy law is needed in carrying out the economic reform and in developing socialist commodity economy. Conditions generally exist for the implementation of the bankruptcy law. Another was that the introduction of the bankruptcy law is inevitable; there is no doubt about this. But at present, conditions for its introduction have still not ripened. First, enterprises do not have enough decisionmaking power and do not play the role of relatively independent commodity producers

or operators. Thus, they can hardly assume responsibility for bankruptcy. Second, the pricing system is still not in order. There is a gap between enterprise production and operation conditions and the relevant base. Conditions have not yet taken shape for fair competition. There is no necessary link between an enterprise bankruptcy and the level of operation and management. Third, existing laws are not in line. Fourth, the improper handling of the problem of taking care of the workers of a bankrupt enterprise is likely to affect social stability.

At the 17th meeting of the Standing Committee of the 6th NPC, 46 committee members gave speeches on the bankruptcy law. Seventeen of them were for its approval and four were for its adoption on an experimental basis, while 21 were against its adoption. In the end, this law was not put to the vote. The hectic scene at the meeting discussing the bankruptcy law was brought to the citizens of the whole country on the television screen. Many people were deeply moved by the democratic atmosphere of the meeting.

After the 17th meeting, the relevant departments of the NPA Standing Committee and the State Council made extensive investigations and studies in connection with the bankruptcy law, and subjected its draft to some revisions. The 18th meeting of the Standing Committee of the 6th NPC, that began on 15 November 1986 again put the examination of the bankruptcy law on the agenda. At this meeting, most of the committee members considered that conditions for the enforcement of the bankruptcy law were relatively ripe and that its draft, after being revised, was more compatible with reality. The State Council had recently promulgated three regulations governing enterprises owned by the whole people and four tentative stipulations about the reform of the labor system. The draft of the law concerning industrial enterprises owned by the whole people had also been submitted to the NPA Standing Committee for examination. All these constituted favorable conditions. In a speech, chairman of the NPC Standing Committee Peng Zhen said that the bankruptcy law is also a law that serves as a stimulus and that, given the lack of experience, we can adopt it on an experimental basis.

At 1005, vice chairman of the NPC Standing Committee Chen Pixian, presiding over the meeting, solemnly declared that the "PRC Enterprise Bankruptcy Law (Trial)" would be put to the vote. Committee members quickly turned on the voting devices before them. In a moment, voting results appeared on the electronic indicator:

Votes in favor	101
Votes against	0
Abstentions	9

The enterprise bankruptcy law (trial), long in preparation and revised several times, was at last adopted.

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CSO: 4006/196

## FINANCE, BANKING

### BRIEFS

**BANKS' FUND SOURCES**--Beijing, 18 November (XINHUA)--No longer seeking funds from banks at higher levels, an increasing number of low level banks have found their way to funds in the mushrooming money markets. The Industrial and Commercial Bank of China has set up 100 or so fund-circulating networks throughout the nation. It circulated some 16 billion yuan between January and October. Some short-term money markets, jointly composed of industrial and commercial banks and of other financial organizations, also opened in Shanghai, Harbin, Wuhan, Chongqing, Xian, Nanchang, and Taiyuan. These money markets had circulated some 2 billion yuan by the end of October. [Summary] [Beijing XINHUA Domestic Service in Chinese 1245 GMT 18 Nov 86 OW] /12232

**CHENGDU CAPITAL MARKET**--Chengdu Capital Market, the first capital market in our province, opened in Chengdu yesterday [26 November]. The amount of authorized capital in the system of specialized banks, among the transsystem specialized banks, among the nonbank and nonfinancial organs, and between the nonbank and nonfinancial organs and the state banks, which took part in the activities at the opening of the capital market, reached 329.2 million yuan. In the morning only, 36 financial organs turned their 275.2 million yuan lying idle into employed money and the rate of use of money reached 84 percent. Attending yesterday's opening ceremony were leading comrades of the province and city, including Jiang Minkuan, Wu Xiha, and Hu Maozhou, and responsible persons of departments concerned. Governor Jiang Minkuan wrote an inscription and spoke. He said: The opening of the Chengdu Capital Market is a good thing in reform of the economic structure. It is a well-planned action. Governments and departments at all levels must support this action so that the benefit of the capital can be raised still more greatly. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 26 Nov 86 HK] /12232

CSO: 4006/218

## INDUSTRY

### BRIEFS

GUANGZHOU PLASTICS, RUBBER EXHIBIT--Guangzhou, November 25 (XINHUA)--An international exhibition showing off the world's advanced technology in the plastic and rubber industry, equipment and materials opened here today. Injection molds, plastic film production lines, plasticizers, universal rubber aluminium alloy and plate vulcanizers and other plastic and rubber products are displayed by more than 40 companies from Austria, Britain, China, Federal Germany, Italy, Japan, Spain, the Netherlands, the United States and Hong Kong. Guo Daliang, vice-manager of Guangdong Provincial Plastics and Leather Industrial Company told XINHUA, "The exhibition will help boost provincial plastic and rubber industries." "Starting in the 1950's, Guangdong was able to turn out 80,000 tons of plastic products a year by 1980," the vice-manager noted, adding that as a result of importing advanced foreign technology and equipment over the past few years, the province has now reached an annual plastic production capacity of 300,000 tons and produced 140,000 tons of plastics last year alone. "Many of its products are well received abroad," he said. Lectures on technology and trade negotiations will be held during the exhibition which is scheduled to run until December 1. [Tex] [Beijing XINHUA in English 1531 GMT 25 Nov 86 OW] /6662

CSO 4020/77

## SMALL-SCALE ENTERPRISES

### PAPER ON PROBLEMS OF TOWNSHIP ENTERPRISES

HK080751 Beijing NONGMIN RIBAO in Chinese 22 Nov 86 p 1

["Reporter's Commentary" (ji zhe shu ping 6068 5074 6615 6097): "It Is Necessary To Create a Relaxed Environment for the Development of Town and Township Enterprises"--passages within slantlines published in boldface]

[Text] Recently, our reporters interviewed cadres, staff, and workers of some town and township enterprises and responsible comrades in charge of rural work at the city and provincial levels. All those interviewed unanimously agreed that since the beginning of this year, town and township enterprises have met with some serious problems. These problems are that in many areas, production costs of town and township enterprises have greatly increased, while their losses have also increased rapidly, and the economic results of town and township enterprises have fallen drastically. The main economic reason for this situation is that since the implementation of macroscopic control, there have been serious shortages of funds and energy resources, prices of raw materials have been soaring, and taxation and various other social burdens have further increased, thus seriously weakening the capacity for self-development of town and township enterprises. What is more, frequent pressure from public opinion, the frequent setting up and removal of various kinds barriers, and departmental policies which sometimes stress control and sometimes stress decontrol have added to the headaches of town and township enterprises. Therefore, comrades in various areas strongly appeal that leaders of relevant departments must carry out in-depth research and investigation, conscientiously listen to the opinions of the broad masses of staff and workers of town and township enterprises and the broad masses of peasants, update their concepts, unify their understanding, coordinate relations, further relax policies, and try in every way to create a relaxed environment for the sustained and speedy development of town and township enterprises.

/Public opinion should distinguish right from wrong and should not indiscriminately regard "subsidizing" and "assisting" as "squeezing out" and "vying with" and must stop putting pressure on town and township enterprises./

The town and township enterprises have developed in the reform and amid censure. Now, more and more people have come to realize the strategic significance of the development of town and township enterprises in invigorating the rural economy, promoting the integration of urban and rural areas, and realizing socialist industrialization with Chinese characteristics. However, the leading comrades of some departments, proceeding from the traditional departmentalist concept of only the state being able to run industries, belittle and censure the town and township enterprises and regard them as "hens" that are able to look for food by themselves and lay eggs for the state, and regard the collectives as "rats" that are undermining the foundation of socialism. As for the complaints, such as "using the small to squeeze out the big, using the backward to squeeze out the advanced" and "vying with the urban industries for raw materials, energy resources, and funds," so far no one has done any convincing calculations on actually how much and to what extent the town and township enterprises have vied with the urban industries. These people arrive at their conclusions only by direct perception via their senses, so that they simply think that the town and township enterprises have "vied with" the urban industries a lot. As a result, they blame the town and township enterprises for causing the lack of raw materials, energy resources, and funds for the state-run enterprises, and even the malpractices in society and so on, and say that the town and township enterprises have hampered the development of the state-run enterprises. This is absolutely unfair and not true. During the years when almost all town and township enterprises were eliminated as "capitalism" and state-run enterprises monopolized industry in our country, the speed of development of the state-run enterprises was much slower than it is now. This is a fact known to us all. The rapid development of the town and township enterprises since the 3d Plenary Session of the 12th CPC Central Committee has greatly pushed forward the reform of the state-run enterprises and enabled both the town and township enterprises and the state-run enterprises to develop synchronously and in a coordinated way in the economically developed areas. However, some departments have turned a blind eye to many visible and invisible "subsidies" and "assurances" given to the state-run enterprises by the town and township enterprises and have indiscriminately censured the town and township enterprises when the development of the state-run enterprises has met with difficulties and setbacks, thus creating a "regular" pressure from public opinion which sometimes becomes too big for the town and township enterprises to bear.

/It is necessary to draw distinctions in accordance with the party's policies, not to regard achievements as errors, and not to make some promising peasant entrepreneurs feel at a loss./

In the new situation of the reform and opening up to the world, it is necessary to adopt new measures and more flexible policies toward the town and township enterprises. However, because some leaders of relevant departments do not clearly understand that in the town and township enterprises the peasants raise funds by themselves and carry out operations by relying on themselves and market regulation, they have willfully used the old method of controlling the state-run enterprises in a unified way, which was practiced

before the reform, and have exercised excessive control over the town and township enterprises. In particular, in straightening out and cracking down on economic crimes, and carrying out party rectification at the township and village levels, some areas have failed to draw distinctions in accordance with the party's policies; have erroneously regarded the staff and workers and scientific and technological personnel of state-run enterprises providing their services to town and township enterprises, after being approved by the higher authorities, as cases of party and government cadres violating party discipline and state law and as cases of doing illegal business; have regarded the normal business contacts and necessary social intercourse and entertainment carried out by town and township enterprises as cases of cadres seeking personal gains by abusing their powers and as cases of carrying out malpractices; and have regarded cadres receiving their remunerations in accordance with imperfect contracts as the crime of corruption. As a result, some enterprises have not dared to hold ordering meetings, salesmen of town and township enterprises have not dared to go out on their business, scientific and technological personnel who had come to work for town and township enterprises from urban areas have been dismissed, factory directors and managers who had once made important contributions to the development of town and township enterprises have been removed from office or even arrested, staff and workers have become confused, and once dynamic town and township enterprises now face a difficult situation. At present, because various areas have gradually drawn distinctions in accordance with the party's policy in the party rectification in the rural areas, this situation has begun to take a favorable turn, but many promising peasant entrepreneurs still have lingering fears. What they fear most is to those "No 2 Documents" which sometimes stress control and sometimes stress decontrol. They hope that the relevant responsible departments will update their concepts, adhere to the policy of opening up to the world and invigorating the domestic economy, and produce relatively stable specific policies. They also appeal to them "Not to look at cadres engaged in commodity economy in the 1980's in accordance with the 1960's' concept of grasping class struggle as the key link; and not to once more erroneously regard achievements as errors."

/It is necessary to implement the taxation policy on an equal basis, not to practice the "theory of unique ownership," and not to discriminate against the town and township enterprises./

In order to maintain the vitality of the town and township enterprises, it is necessary to provide assistance and preferential treatment to them in terms of taxation, credit, business administration, economic combinations, and so on. However, the present situation is that on the one hand, barriers have everywhere been set up to restrict the development of the town and township enterprises; while on the other, demands are made on them from all sides, and thus their burden is increased. In recent years, not only have the former preferential terms for town and township enterprises been abolished, but also the burden of taxation and other social burdens of the town and township enterprises have been greatly increased. In some counties, taxes and various social apportionments now account for over 84 percent of the total profits of the town and township enterprises. This method of "taking that which cannot be given" and the method of destroying financial resources run

contrary to the spirit of the policy of enabling the people to become prosperous. Although most of the raw materials and energy resources of the town and township enterprises have not been listed in the state plan and the town and township enterprises cannot get the raw materials which are sold at government prices, as the state-run enterprises can, but can only get them at negotiated prices on the market, the town and township enterprises have to pay more taxes than the state-run enterprises. A responsible comrade of the rural work department of Jiangsu Province said that the state-run enterprises pay their loans before tax, but the town and township enterprises have to pay their loans after tax; the economy bonuses paid by the state-run enterprises can be listed as cost expenditure, but the town and township enterprises are not allowed to do so; the state-run enterprises must pay 55 percent of their profits as income tax if their profits exceed 400,000 yuan, while the town and township enterprises have to pay 55 percent of their profits if their profits reach over 200,000 yuan; after the readjustment of the product tax rate, the state-run enterprises can readjust the amount of profits retained by them if the amount of profits retained is affected by the change, so that their incomes are not reduced, while the town and township enterprises have to accept all the burden without getting any preferential treatment from the state; and the subsidies paid by the state-run enterprises to their staff and workers are not taxed, while those paid by the town and township enterprises have to be.

How to solve these problems of direct interest to the peasants? The key is to foster a strong production concept and a solid ideology of enabling the people to become prosperous, not to be afraid of peasants becoming prosperous, and not to practice the method of draining the pond to get all the fish, but to take what can be given and to leave some profits for the town and township enterprises, so that they will be able to expand their production and continue to improve their capability for self-development. Thereby, along with the development of production and an increased income, tax resources will be fostered and preserved and state and local financial incomes will be greatly increased.

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## SMALL-SCALE ENTERPRISES

### DAILY ON HEAVY BURDENS ON TOWNSHIP ENTERPRISES

HK110647 Beijing NONGMIN RIBAO in Chinese 1 Dec 86 p 1

[Report: "Burdens of Township and Town Enterprises Are Everywhere Heavier Than Those of State-owned Enterprises"]

[Text] According to some reports, township and town enterprises now generally bear heavier burdens than state-owned and collective enterprises, and some localities now still use the old methods of "using, restricting, and transforming" these enterprises, which was a policy in the 1950's for dealing with private industrial and commercial enterprises. This state of affairs is not favorable to the development of the rural commodity economy.

According to some survey reports in Jiangsu Province, it is obvious that township enterprises are subject to heavy tax burdens which seriously restrict their development. For state-owned enterprises, those which make an annual profit of more than 400,000 yuan will have to pay an income tax at the rate of 55 percent; but for township enterprises, those which earn more than 200,000 yuan will have to pay taxes at this rate. State-owned enterprises can deduct all their loan repayments from their taxable incomes, and collective enterprises in towns can also deduct 80 percent of their loan repayments from their taxable incomes; however, township enterprises must use their after-tax profits to repay all of their loans. After the adjustment of the rate of product taxes, if a state-owned enterprise's self-retained profits are affected, the tax rate for this enterprise can be readjusted so as to guarantee that the enterprise will not lose its after-tax income; however, such preferential treatment is not enjoyed by township enterprises. All kinds of allowances issued by state-owned enterprises to their workers are exempt from bonus taxes; but township enterprise cannot enjoy this tax exemption either.

Taxes imposed on rural private enterprises are even more exorbitant. Some localities even use the old method of "using, restricting, and transforming" these enterprises, and that old method was a policy for dealing with private industrial and commercial enterprises in the 1950's. For example, the treatment of "white slips" is a problem. Using "white slips" as bookkeeping vouchers is a common practice of many rural private enterprises. As it is

difficult for them to borrow money from banks and credit cooperatives, they often have to borrow money from private creditors who issue to them "white slips" as receipts for their interest payments. Many private enterprises rent private houses for their plants, and the house owners also issue "white slips" as receipts of rents. The private transport companies also issue "white slips" to their clients because they do not have official tickets or invoices. However, the tax departments impose "white slip taxes" as a penalty for using such unofficial vouchers without discrimination. In the Wenzhou area of Zhejiang Province, the interest rates of private loans in the countryside are between 2 percent and 3 percent per month, and sometimes the rate may be as high as 5 to 6 percent. However, the tax department only calculates the private enterprises' interest cost according to the banks' rate (about 0.6 per month) or the floating interest rate of local credit cooperatives (about 1.5 percent). In addition, the tax department only allows the private enterprises to register their wage cost at the rate of 70 yuan per worker, which is lower than the wage rate in state-owned and collective enterprises. All this results in increasing much false taxable profit to the accounts of the private enterprises and forcing them to pay more taxes.

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## SMALL-SCALE ENTERPRISES

### ZHONGGUO XINWEN SHE ON PRIVATE ENTERPRISES

HK080719 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0428 GMT 4 Dec 86

[Report: "Private Enterprises in China Enter Spring"]

[Text] Beijing, 4 December (ZHONGGUO XINWEN SHE)--There are many indications that China is paving an ideal runway for the takeoff of its private economy.

The establishment of the "Wenzhou Experimental Zone" recently indicates that the government is attempting to open a gate in policy for the development of private enterprises. The main task for the experimental zone is to develop individual, private, and joint-stock economies. The secretary of the Wenzhou City CPC Committee said that all "restrictions and conventions" would be broken during the experiment.

As a matter of fact, the private economy is no longer a tiny stream in China. At an auction held in Beijing at the end of November, four losing state-owned shops were transferred to private ownership. Compared with previous leasing activities, this was a more direct way to break with the unitary system of state ownership.

Another expression of this progress is that encouraged by the government, many state-owned enterprises have adopted the joint-stock system on a trial basis. They sell share certificates to individuals. Moreover, some purely private financial institutions, with capital collected through selling of shares, have appeared, such as the "City Credit Cooperative" established in Beijing's Dongcheng District at the end of November. Its appearance, said BEIJING RIBAO, "has put an end to the monopoly of state banks in financial affairs."

Press reports said that the development of private economy have not been plain sailing. Earlier, private enterprises and individual traders experienced some troubles and suffered. As a result, some owners had to give up their businesses.

This problem was especially serious in Guangdong Province, where the private economy had been more developed. There were often clashes between the owners

of private business and the departments of charge of traffic control and order in the city due to the locations of the businesses, and the owners were often told to move to other places. At the same time, they were also often baffled by all kinds of unexpected charges.

But the officials in charge of these affairs said that once these concrete and technical problems are recognized, they will begin to make a change in this situation.

It seems that notable results have been achieved. Over the last 5 months, the number of private enterprises began to grow quickly again, and that of the registered private enterprises and individual traders increased by 270,000. At the same time, the number of employees in private enterprises reached 17.66 million again, reaching the figure from the end of last year.

In some areas, such as Beijing, private enterprises have been developing at a higher speed than last year. At present, Beijing has a total of 91,100 private enterprises, 10,000 more than last year, employing more than 140,000 workers, also 10,000 more than last year.

In November, Shanghai's SHIJIE JINGJI DAOBAO disclosed that some private enterprises, which employ more than 1,000 workers and have several million yuan of fixed assets, have emerged in China. Some of their products have been sold in the international market.

Despite clashes between private enterprises and the bureaucracy, which go on all the time, very few people have shown doubt about the central government's policy on private enterprises.

The State Administration for Industry and Commerce has formally required its branches in all provinces to create the best possible conditions for the development of local private enterprises.

At a meeting held in mid-November, Song Jian, state councilor and minister of the State Scientific and Technological Commission, emphasized that it is necessary to support and encourage scientists and technicians to establish joint-stock enterprises or individual enterprises in medium- and small-sized cities and rural areas.

At the first national conference of representatives of individual laborers, which opened yesterday, Bo Yibo, one of the CPC's top leaders, emphasized once again that the policy of developing the individual economy will not be changed for a rather long period to come.

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CSO: 4006/196

## SMALL-SCALE ENTERPRISES

### PAPER ON REFORMING RURAL ENTERPRISE MANAGEMENT

HK120803 Beijing NONGMIN RIBAO in Chinese 5 Dec 86 p 1

[Commentator's article: "Ownership Powers and Operating Powers Can Be Separated"]

[Text] The second step of rural reform will not only create a relaxed and favorable environment for the development of commodity economy, but will also improve the internal operating mechanisms in various farming, forestry, animal husbandry, and industrial enterprises in light of the needs in the development of the commodity economy. In this regard, we have achieved certain results, but there are still many things that we should do.

The "CPC Central Committee's Decision on Reform of the Economic Structure" clearly points out: "According to Marxist theory and the practice of socialism, ownership can be duly separated from the power of operation." For a long time in the past, however, rural enterprises (cooperatives or communes) were simultaneously administrative units, and the ownership of various enterprises in agriculture, forestry, animal husbandry, and industry was not separated from their operation powers. The enterprises were all subject to the direct management of the township (or town) and village administrations, which had a direct hand in the enterprises' normal day-to-day business. So the enterprises had no decisionmaking power. This hindered the development of commodity production. The enterprises should act as relatively independent commodity producers and handlers. Only when their ownership is separated from the operation power can the enterprises set up highly efficient and unified management system to direct production and to handle business in a flexible way so as to meet the requirement of a high degree of continuance in management for commodity production. A fundamental step to separate ownership from operation power is to delegate the operation and management power to the enterprises and to implement various kinds of contract and responsibility systems on a trial basis. The collective which owns an enterprise can sign a contract with the individual contractor and the contractor group on the routine operation of the enterprise, and the remuneration for the contractor or contractors is directly linked with the business results of the enterprise. The contractor should have the right to use the enterprise's assets and to raise the worker's wages to a degree in line with the enterprise's economic results. Apart from obeying the state's overall economic control, the enterprise has full power to decide its internal affairs, and no administrative institution can interfere in the enterprise's internal management and business affairs. This will enable the manager who contracts the operation of the enterprise to display his management skills and will thus make the enterprise more dynamic.

Will the transfer of operation powers to the enterprises and the adoption of the operation contract system change the ownership character of the enterprise? In general, as long as we have a clear guiding principle, effective leadership, and proper measures, this change will not occur. This is similar to what has happened when we implemented the household output contract system. The operation power granted to enterprise contractors is in fact the power of using the enterprise assets. It is closely related to enterprise ownership, but the two things have fundamental differences. Of course, if we do not have a clear guideline and some proper measures, some problems may occur. But they are merely problems in our work and cannot be regarded as an inevitable result of the hands-off policy toward enterprise operation. So we must not give up eating for fear of choking, and must sometimes give the operation power to the enterprises and sometimes retrieve this power from the enterprises. This will affect the steady development of commodity production. When the administrations release the operation power of the enterprises, consideration should be given to local conditions, and a variety of methods can be tried in the trial implementation of the operation contract system. Small orchards and farms can be turned into household undertakings; small-scale enterprises with simple equipment and small profits can be contracted in an all-round way to, or leased to, individuals; larger tree farms, animal and poultry farms, and township enterprises which operate on a considerable scale and maintain stable production can be contracted to collectives and adopt the manager responsibility system. At the same time, the contracts can be made valid for as long as possible and the contracts should include more aspects of the enterprise operation under the premise of maintaining the original character of enterprise ownership. For example, the contracts should include the target of profits and the maintenance of equipment so that the contractors will not only pay attention to their immediate interests, but will also have to make some long-term capital investments, lest "the temple become poor while the monks get rich."

In the implementation of the operation contract system, we should also correctly ensure the interests of the contractors so as to arouse their initiative and creativity. This will produce a large number of peasant entrepreneurs who have management skills and technological knowledge. In the course of turning a small-scale peasant economy into a commodity economy, we cannot continue to rely on the old methods in the countryside, nor can we rely on state investment. We should rely mainly on the efforts of the peasant entrepreneurs. Now, we have seen many successful peasant entrepreneurs, who have strong abilities and valuable experience. So long as we continue to create favorable conditions for them through reform, more successful peasant entrepreneurs like Lu Guanqiu, the director of the Hangzhou Universal Joint Plant, will emerge all over the country, and they will make greater contributions to the development of the rural socialist commodity economy.

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## AGRICULTURE

### SONG JIAN ON URBAN INTELLECTUALS IN COUNTRYSIDE

OW240842 Beijing XINHUA in English 0735 GMT 24 Nov 86

[Text] Beijing, 24 November (XINHUA)--A high-ranking official has called for encouraging China's urban skilled and educated personnel to work in rural areas including starting their own businesses to become rich.

Today's PEOPLE'S DAILY quoted Song Jian, minister in charge of the State Science and Technology Commission, as saying, "Farmers are allowed to become well-off through running their own businesses. Why can't these urban intellectuals?"

Speaking at a national conference on agriculture, Song said science and technology is vital to the rural economy, and traditional concepts should be transformed and new methods worked out to attract more skilled personnel to the countryside.

"This would play an important role in revitalizing the rural economy, and the implementation of the policy of allowing more skilled and educated people to work in the countryside would mean a breakthrough in the current reforms," Song said.

They can be employed as directors or managers of rural factories that make farm tools or other farming facilities or run their own enterprises to help develop the local economy, Song said.

Scientific researchers and skilled personnel are in great demand in rural areas--averaging 6 to 7 for every 10,000 rural people, Song said.

There is one farming expert for every 406 hectares of land, 1 expert on animal husbandry for every 7,000 head of livestock or every 153,000 hectares of grassland and 1 specialist for every 160 rural enterprises.

Local governments and banks should help urban skilled and educated people set up enterprises in the countryside by granting loans to them or allowing them to share profits or dividends for their technological investment, Song said.

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## AGRICULTURE

### NEI MONGGOL OFFICIAL ON POLICIES FOR DEVELOPMENT

SK220705 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 21 Nov 86

[Excerpts] Yesterday afternoon at the regional meeting of banner and county party secretaries, responsible comrades of six departments in charge of comprehensive work, including the regional Planning Commission, gave speeches in line with the reality of their work on how to do a better job in implementing the policy of making forestry and animal husbandry the major undertakings while diversifying the economy, and how to render better services for the development of animal husbandry.

In his speech, a responsible comrade of the regional Planning Commission, said: With the deep implementation of the principles and policies on reform, opening to the outside world, and invigorating the economy, we must break with the traditional concepts of setting the planned economy against the commodity economy and the planned economy against the law of value, further reform the planning system, foster new concepts, and serve the commodity economy in our planning work. We must formulate the national economic plan in line with the region's actual situation, the strategic ideology of planting trees and grass to boost animal husbandry and the needs of development animal husbandry. In the input of financial and material resources, we should pay more attention to grass farming and animal husbandry, gradually readjust the investment structure, and raise the proportion of investment in grass farming and animal husbandry. In agricultural investment, we should give priority to arranging for the building of bases for producing grass seeds, fodder grass, and animal feed and for processing animal by-products, and to building frozen semen centers. In addition, we should accelerate the pace of improving livestock strains, and the building of marketable farm and animal product bases, so as to ensure the stable development of animal husbandry.

A responsible comrade of the regional Economic Commission said: While further implementing the economic construction policy of making forestry and animal husbandry the major undertakings and of diversifying the economy, departments under the economic commission must do their own work well, take enhancement of understanding and improvements in work style as their guidance, pay attention to studying the comprehensive principles and policies and major measures for production and circulation, and render direct and indirect services for the development of animal husbandry. It is necessary to attend to supply and marketing work, raise economic results, and unceasingly provide financial and

material resources for the development of animal husbandry. Furthermore, we should comprehensively coordinate energy and transport with production, actively organize energy supply and development in the rural and pastoral areas, do a good job in building transport facilities, strengthen enterprises' modernized management, and raise their economic results.

A responsible comrade of the regional Scientific and Technological Commission said: The fundamental way to develop animal husbandry is to rely on scientific and technological progress and to gradually achieve modernization in the production of animal husbandry. To this end, the scientific and technological departments should adopt vigorous measures and provide effective service for tree and grass farming in an effort to invigorate animal husbandry. We should send the scientific and technological sparks to the rural and pastoral areas and to township enterprises, strengthen the study of animal husbandry science, establish and perfect the system of popularizing improved livestock strains, adopt scientific methods in animal breeding and management, intensify the study of technology for processing animal by-products, develop machinery for animal husbandry, mechanize the production of animal husbandry, and make the livelihood of the people in the pastoral areas more scientific. It is necessary to improve and enrich the spark plan, guide the broad masses of people in the rural and pastoral areas to free themselves from the shackles of the concept of the natural economy and to follow the path of developing commodity production.

Responsible comrades of the regional Agricultural Commission and the regional Financial Department, in line with the reality of their ideology and work and the call of planting more trees and grass to boost animal husbandry, in their speeches touched on the tentative plans of their own departments on how to further implement the region's economic construction policies, to make Nei Monggol prosperous, and to do a better job in rendering direct and indirect services.

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## AGRICULTURE

### NATIONAL MEETING ON LAND USE CLOSES IN WUHAN

OWO21951 Beijing XINHUA in English 1546 GMT 2 Dec 86

[Text] Wuhan, 2 December (XINHUA)--China is tightening its control over the use for non-agricultural purposes of its arable land, now estimated at 133 million hectares for its population of one billion.

Since last March, officials have investigated the use of arable land for construction in 28 provinces, municipalities and autonomous regions.

In 10 provinces and municipalities, 170,000 hectares of cultivated land had been used illegally, according to a 5-day national meeting which closed here today.

Up to now, about 10,000 hectares of illegally occupied land have been returned to agricultural production, and 61.34 million yuan (16.5 million U.S. dollars) has been levied in fines for illegal use of arable land, the meeting was told.

In addition, 933 party members and officials responsible for illegal use of land were given disciplinary penalties, and 38 others involved in more serious cases were sued, according to meeting reports.

Another 11 provinces and municipalities are expected to finish their investigation work by the end of this year, and the other provinces, municipalities and autonomous regions will do before the end of June next year.

According to the meeting, a law on land management promulgated last June will be put into effect from next January.

China will use administrative, legal and economic measures to manage its land, Wang Xianjin, director of the State Land Administration Bureau, told XINHUA.

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## AGRICULTURE

### DESALINATION PROJECT ON NORTH PLAIN REPORTED

OW281042 Beijing XINHUA in English 0730 GMT 28 Nov 86

[Text] Beijing, 28 November (XINHUA)--In 11 counties on China's north plain, land with a high concentration of salt has been improved after 4 years of comprehensive projects, the north China Plain Project revealed.

Crop production has reached more than 780,000 tons in 1985, compared to 470,000 tons before the project, and cotton output doubled the pre-project amount hitting a record high of 47,000 tons, a project official said.

Individual income has also doubled or quadrupled for local farmers in Hebei, Shandong, Henan and Anhui Provinces.

The entire project area covers 230,000 hectares. Digging ditches is a tedious process and used to be the main method of draining off water, but it proved not very successful.

Since the project was launched in 1982, multiple techniques have been implemented, including digging ditches, sinking wells, planting trees, using phosphate fertilizers and planting high-quality breeds of crops. These measures greatly improved drainage capability, increased irrigation water supplies, lowered the underground water table, reduced water evaporation and enriched the soil so output has steadily raised.

According to the official, this region on the Hai River, the Hui River system and the lower reaches of the Yellow River of the north China plain suffer an area of 6 million hectares of salt-laced soil. After the founding of new China in 1949, large scale dredging projects have been launched and the drainage system somewhat improved, but most of the area remained subject to floods and droughts.

Since the 1970's, experimental plots have been set up by government and local academies of the agricultural sciences. The results of experimentation indicated that by washing away salt found in the soil and using phosphate fertilizers, soil fertility could be restored. Based on these findings, the State Agricultural Ministry proposed the current project.

The project received financial support from the World Bank, the International Foundation of Rural Development and the World Food Program of the United Nations. In 1982 these organizations signed a 5-year contract with China, offering free goods, aid, and no or low interest loans.

The success of the project provided experience in reclaiming salty soil in the area, and foreign supporters recommend this project to other problem areas in the world.

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## AGRICULTURE

### SCIENTISTS DEVELOP NEW METHOD OF EROSION CONTROL

OW290813 Beijing XINHUA in English 0653 GMT 29 Nov 86

[Text] Xian, 29 November (XINHUA)--Chinese scientists have put forth a model of controlling and developing the hilly and ravine areas where soil erosion is most serious on the Loess highlands, after 6 years of research.

More than half of the total area of the Loess highlands, about 236,000 square kilometers, is subject to rampant soil erosion. Within the area, every square kilometer loses an annual average 10,000 tons of silt due to lack of natural vegetation and fragmentary topography.

Under the model, in the hilly and ravine areas where the density of population is 100-150 people per square kilometer, 25 percent of the total land which is tillable and with a gentle slope should be turned into basic farmland, and dry cropping techniques should be adopted.

And the rest of the cultivated land should be planted with trees and grass. Fields with a slope of below 35 degrees are to be planted with herbage or fruit trees and melons, and fields with a slope of above 35 degrees with drought-resistant and soil-preserving shrubs.

In the next 5 years, emphasis will be placed on fruit growing and the development of animal husbandry, forestry and the farm produce processing industry, bringing soil erosion basically under control in the whole area and further stabilizing the favorable circle of agricultural ecology, while keeping peasants' income on the rise.

The Loess Highlands Control Research Institute in Xian proved the feasibility of the model after 6 years of experimentation beginning in 1980, in a 4.2-square-kilometer area in Mizhi County in northern Shaanxi Province, northwest China.

The experiment was funded by the UN Development Program and the Food and Agriculture Organization.

The average investment in one square kilometer is 210,000 yuan (56,700 U.S. dollars), and the ratio of the input and output value is 1:3.7.

Experts on water and soil conservation in the country consider the simple model, which requires less investment but produces quicker and bigger returns, is of great practical value for the harnessing of the Loess highlands.

They stress that the biggest advantage of the model is that it can attain both ecological and economic results.

The model has passed assessment by the Ministry of Agriculture, Animal Husbandry and Fisheries.

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## AGRICULTURE

### LIAOWANG REVIEWS 1986 RURAL ECONOMIC SITUATION

HK140311 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 48, 1 Dec 86 p 3-5

[Article by LIAOWANG reporter: "China's Rural Economic Situation This Year"]

[Excerpts] Since 1981, China has held a central conference on rural work each year to formulate plans for next year's rural work. This year's central conference on rural work was held in an earlier part of the year than previous ones. It ended in Beijing in mid-November.

At the conference, the rural economic situation and rural reform situation were earnestly summed up and studied and arrangements were made for next year's rural work. This year, China's rural economic development and rural reforms have gained some new characteristics. To sum up, following the breakthroughs made in various areas, the rural reforms are now developing both intensively and the rural economy, which was in a rather inordinate state a few years ago, is now developing normally. Thus, it can be seen that the rural economy in 1986 is characteristic of a transition from one stage to another.

#### The Rural Economy Is Developing Along Normal Tracks

This year, agriculture, animal husbandry, fishery, and township and town industry and commerce have further developed. Generally speaking, overall rural economic development is quite satisfactory.

First, there has been an increase in grain output over last year. This year, grain production claims over 30 million mu of land more than last year. Output of summer grain in the north and rice in the south will increase 10 billion jin more than last year. Despite the serious natural calamities that have hit several major grain-producing provinces, and thanks to the extensive precautionary measures and the efforts made to deal with the aftermath, grain output can still reach over 390 billion kg [unit as published], about 3.6 percent more than that of last year.

Apart from the increase in grain output, animal husbandry and fishery have also developed. Meat output will increase by 4.9 percent. The output of aquatic products is estimated at 8 billion kg [unit as published], a 11.9 percent increase over last year. The output of the major forest products has also increased.

Township and town enterprises, which are becoming a pillar of the rural economy, are steadily developing. Their gross output value this year is estimated at 330 billion yuan, up 21 percent from last year and far exceeding the state's planned target. This year, the output value created by township and town enterprises has for the first time exceeded the gross agricultural output value and much manpower has been emancipated from land. The township and town enterprises employ 76 million peasants, 6 million more than in 1985. The number of peasants employed by the township and town enterprises constitutes 20 percent of the rural areas' total manpower.

Given the development of agriculture, forestry, animal husbandry, sideline production, and fishery, the country's gross agricultural output value is estimated at 303.8 billion yuan (calculated on the basis of the 1980 fixed prices and excluding that from village industries), a 4.3 percent increase over last year. According to an analytical sample survey, the peasants' per capita income can increase by 25 to 27 yuan this year.

All this shows that the rural economy is developing, that various trades and industries are trying to increase output, and that the percapita income is increasing. However, one can see that the growth rate this year is lower than those in previous years. In the early 1980's, in each of several consecutive years, grain output increased by several thousand million jin and the peasants' income increased by 40 to 50 yuan.

How should one view this slowed growth?

This is precisely a characteristic of the transition of China's rural areas from one stage to another. It indicates that the rural economy, which was previously in an inordinate state, is now developing normally. The growth rates of crop cultivation between 1979 and 1984 were quite abnormal. They were a compensation for the stagnation in agricultural production, which was a result of the "leftist" influences over the past 20 years or so, and were obviously resumptive in nature. The peasants' enthusiasm for production, which was seriously dampened, has been quickly aroused as a result of the enforcement of rural reforms highlighting the system of contracted responsibilities on the household basis and with payment linked to output. Some people have likened this to "volcanic eruption" and others have compared it to a "flood bursting a dam." The development of the rural reforms and the rural economy is now like a rapid-flowing stream.

Evidently one cannot hope that China's rural economy will always keep the annual growth rate of the gross agricultural output value at 9 percent or much higher, which is quite an abnormal growth rate. The change from abnormal growth to normal growth in agricultural production is in keeping with the laws governing economic development. Of course, with the in-depth development of various reforms and the successful fulfillment of various tasks, we can hope for a higher growth rate. However, high rates like those in previous years are out of the question. Those who ask for "quick success" and who hope that China's grain problem and its problem of rural development will be solved in a short time are unrealistic. Next, we should, on the basis of the requirements entailed by overall national economic development, hold firm to the reforms and

strive to provide a favorable environment for agricultural development by working in a down-to-earth manner, in order to make agricultural development spontaneous and rural economic development steady and healthy.

#### A Significant Step Has Been Taken Regarding the Reforms

Simultaneous with the change from abnormal growth to normal growth in rural economic development has been the intensive and extensive development of the rural reforms following the breakthroughs made in various areas. Because of its more profound significance, the second step in carrying out the reforms will meet with greater difficulties than the first step. However, we have taken this decisive step in carrying out the new [as published] reforms. The reform of the circulation system, which began in 1985 and which has intensively and extensively developed this year, has in particular led to better coherence between the reform of the urban economic structure and the reform of the rural economic structure. The reform of the system of monopoly for the purchase of agricultural and sideline products has been a breakthrough as far as the old economic structure is concerned. In addition to contributing to the in-depth development of the rural economy, it also gives great impetus to the reform of the urban economic structure.

Regarding the system governing the purchase and marketing of grain, we have three alternatives to choose from. First, we can continue to stick to the system of state monopoly for the purchase and marketing of grain. However, this is incompatible with the country's overall economic development. We will find our road narrower and narrower in doing this. Second, we can lift all restrictions and allow people to freely buy and sell grain. However, conditions are at present not ripe, and they will remain so in a few years, for this. Thus, we can only choose the third alternative. We should "maintain some stability and lift some restrictions." This means that we should, on condition that there is enough grain for rationing and military purposes, gradually purchase less grain from the peasants at base prices [ping jia--1627 0116], gradually sell less grain at base prices, gradually purchase more grain at negotiated prices, and, provided that there is an increase in grain output, strive to be able not to purchase grain from the peasants at base prices in a few years and gradually expand the free grain market, in order to help grain growers increase their income.

Practice has proved that this method is very effective. Last year, the state reduced its grain purchase target from 150 billion jin to 120 billion jin. This year, it has decided to make it 100 billion jin next year. What we are trying to do is to gradually allow more grain to be sold freely on the market and, by taking a small step each time, to gradually move toward the goals of the reforms.

The reform of the system governing the purchase and marketing of agricultural products is developing in an in-depth manner. Some peasants have organized themselves and entered the sphere of circulation. They are now playing an increasingly important role in it. In spite of rigid regional control and various barriers, there are always vast quantities of vegetables, fruits, grain, pigs, and various types of industrial raw materials in circulation. This year,

Guangdong has brought several billion jin of grain and 1.8 million pigs from various provinces through the market and the northeast and north China have imported much flour and rice. This tells us that the new purchase and marketing system established in the course of the reforms is struggling for its survival and development with irresistible strength. This also tells us that the various rural reforms are indeed developing both intensively and extensively.

#### The Status of Agriculture As a Basic Occupation Has Been Reconfirmed

Concerning the rural economic development this year, there is one more thing that should be pointed out: Leaders at all levels have gained a better understanding of the proposition that "agriculture is the foundation of the national economy" and there has been a nationwide increase in the investment in agriculture. This year's nationally budgeted investment in agriculture is more than that in 1985. Various provinces, cities, and autonomous regions have adopted some specific measures regarding this.

This year, the finance departments in the rural areas have adopted a series of measures to improve macroeconomic control and to give further support to the development of agricultural production and of the rural commodity economy. At the end of September this year, the country's agricultural banks and credit cooperatives has a total balance of 148 billion yuan, 23.1 billion yuan more than at the beginning of the year. Of this, 91.4 billion yuan was rural savings, 18.4 billion yuan more than at the beginning of this year. The rural per capita savings have for the first time exceeded 100 yuan. Total debit balance was 228.3 billion yuan. Of this, 57.5 billion yuan was agricultural loans, 15.1 billion yuan more than at the beginning of this year and 3.8 billion more than at the same point in 1985. The industrial and commercial specialized households' practice of raising large amounts of loans has been checked somewhat. However, there has been an increase in the number of peasant households raising loans to finance crop cultivation and the breeding of animals. The village enterprises had a total debit balance of 48.6 billion yuan, 38 percent, or 13.2 billion yuan, more than at the beginning of the year.

China's scientists and technologists have enthusiastically contributed to the development of township and town enterprises and to agricultural development. The "spark program" is now being gradually executed. So far, more than 4,000 projects have been launched. Of them, more than 600 are listed in the state plans, 1070 in the plans of the provinces, cities, and autonomous regions, and more than 2,000 in the plans of localities below the provincial level. Investment in these projects totals more than 2 billion yuan. If we can launch 4,000 projects each year, we will have launched 60,000 projects by the end of this century. They will give great impetus to rural economic development.

#### The Gradual Formation of a New Economic Structure

Thanks to the explorative efforts made over the past few years, a new socialist rural economic structure with Chinese characteristics is now taking shape in most of China's rural areas. This is an important fruit born by the development of the rural reforms in the direction of the formation of a planned commodity economy as well as an essentially significant change in the transformation of the rural areas' semi-self-sufficient economy into a large-scale commodity economy.

Its main characteristics are:

--The peasants have for the first time acquired the status of producers. By applying the system of contracted responsibilities on a household basis and with payment linked to output, we have been able to gradually reform the system governing commodity exchange. In addition, thanks to the application of this system, the peasants now have greater decisionmaking power in production, management, and the disposal of products.

--A multi-layered and multi-channeled rural commodity market is now emerging. The reform of the system of monopoly for the purchase of products and the system of assignment of purchase quotas in 1985 has been a decisive step. With the development of the commodity economy and with the more extensive application of the market mechanisms, the peasants have voluntarily organized themselves to look for development opportunities. As a result, many new things have emerged in the rural areas.

The rural economy is now gradually developing in the direction of diversification and combined operations. Unitary operations, which have been the dominant practice for a long time, have given way to other modes of operation. The ratio of grain crops to industrial crops has been readjusted. Now, people have begun to pay attention to the growing of trees and grasses, animal husbandry, and the production of aquatic products, whose importance has been overlooked for a long time. Industry, mining, transportation, commerce, and the services are now rapidly developing. As a result of the readjustments in agriculture, forestry, sideline production, animal husbandry, and fishery, the importance of the latter four is now on the rise, whereas that of agricultural crop cultivation is diminishing. It is estimated that the proportion to be occupied by the output value of forestry, animal husbandry, sideline production, and fishery in the gross agricultural output value will rise from 37 percent in 1985 to 39 percent, whereas the proportion to be occupied by the output value derived from crop cultivation in the gross agricultural output value will drop from 63 percent to 61 percent. Thanks to the readjustments in the five major trades in the rural areas, the importance of industry, building industry, transportation, and commerce in the rural areas is on the rise, whereas that of agriculture is diminishing. It is estimated that the proportion to be occupied by the output value derived from non-agricultural operations and undertakings in the rural areas' gross social product will rise from 42.9 percent in 1985 to about 46 percent, whereas the proportion to be occupied by the gross agricultural output value in the rural areas' gross social products will drop from 57.1 percent in 1985 to about 54 percent. Simultaneous with the bankruptcy of unitary operations has been the development of the economic structure, which is characterized by the divorce of the urban areas from the countryside, in the direction of integration. The cities' advantages, namely their industry, their technology, and their concentration of talented people, are beginning to combine with the rich natural resources and abundant manpower in the rural areas to form a new productive force. There is a steady inflow of peasants into the cities. The number of peasants working in the cities now exceeds 10 million. Some of them sell agricultural products in the cities, some are employed in the building industry, some open shops, and other are employed in the tertiary industry.

--A pattern dominated by public ownership and characterized by the coexistence of many economic components of many different modes of operation is now coming into existence. The economy, which is characterized by public ownership, has been enlivened as a result of the reforms. In addition, the individual sector of the economy and private enterprises have developed somewhat. Contractors, lease service, partnership companies, and enterprises operated by shareholders have emerged. The number of new rural economic combines now exceeds 480,000 with a total labor force of over 4 million. The coexistence of various modes of joint operation has put an end to the mechanical division of ownership into several structural types. In addition, thanks to all this, the ownership of the means of production is now being separated from managerial powers and there is now a tendency for economies with different types of ownership to coexist, merge, and develop simultaneously.

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CSO: 4006/219

## AGRICULTURE

### RURAL LIFE IMPROVES IN POOR AREAS IN NORTHWEST

OW260844 Beijing XINHUA in English 0811 GMT 26 Dec 86

[Text] Lanzhou, December 26 (XINHUA)--Under a state program called "help the poor", which combines resources of central and local governments and peasants, life for seven million rural people in northwest China's poor areas is improving.

Thanks to the program two million peasants have worked their way out of poverty and now have an average per capita annual income of 350 yuan and an average harvest of 300 kg of grain yearly, officials in charge of the program said today.

A total of five million peasants now have enough food although they still live below the poverty line with an average annual income of 100 yuan.

The four-year-old agricultural development program, which was specially designed for Dingxi and Hexi areas in the province of Gansu and the area of Xihaigu in Ningxia Hui Autonomous Region, is the most ambitious help-the-poor scheme in the country.

Since then, the state government has invested 200 million yuan annually in the program, in the hope of improving agriculture in the regions. The program projects that in five years all peasants will be able to feed by themselves and in 10 to 20 years none will live in poverty, officials said.

Some 70 percent of seven million peasants, who relied on government relief during the late 1970s, now have enough food, officials said. They also point out that 30 percent of these peasants still cannot feed themselves and have to rely on state relief.

In central Gansu alone, 1.32 million peasants, about a quarter of the total, are expected to earn an average income of 300 yuan per capita this year, officials said.

Long-lasting droughts and the size of population are the main factors for poverty in these areas, officials said.

Over the past four years, with the state money, local peasants in these areas have planted 1.14 million hectares of trees and grass, creating 100,000 hectares of irrigated farmland and converted 133,000 hectares of cultivated land to pastures.

The newly planted trees and grass now cover 33.1 percent of the total area of Xiji County in Ningxia, which used to be drought stricken with an annual rainfall of 35 centimeters, according to officials.

As a result, the country now produces 6,880 tons of meat annually, six times more than in 1981.

Peasant Xi Delu and his family live in the county town of Xiangquan, traditionally one of the poorest villages in the area, harvests 10,000 kg of cattle fodder a year from half a hectare of land they've contracted from the government. The family of six earns 4,000 yuan a year.

"There are 50 households in our village that live a life like mine," Xi Delu said.

In the past four years, the fodder processing industry and finely bred livestock have been developed rapidly in the areas. A total of 443 fodder processing mills and 900 centers for livestock breeding have been set up in poor areas in Gansu.

Also, great efforts have been made in these areas to develop local products and increase output of fruit, officials said.

The development of township enterprises is another factor contributing to the rise of peasants' income. There are now 40,000 such enterprises in Gansu with an annual industrial value of about 1.3 billion yuan, a six-fold increase over 1982. These factories have a total of 425,000 employees or 11.8 percent of the rural labor force there.

This year, another 30,000 peasants have moved away from drought-stricken areas in Dingxi and Xihaigu. They now live in more temperate, less populated areas along the Gansu corridor near the great bend of the Yellow River. Up to now, a total of 160,000 peasants have migrated to better areas under the state scheme to help the poor, according to officials.

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CSO: 4020/75

## AGRICULTURE

### RENMIN RIBAO ON FOREST BELT PROJECT

#### North China Project

HK100757 Beijing RENMIN RIBAO in Chinese 6 Dec 86 p 1

[Report by Jiang Shijie (3068 0013 2638): "Initial Victory Reported for the Second Phase of the 'Three-norths' Forest Belt Project"]

[Text] This reporter has learned from the enlarged meeting of the "three-norths" forest belt project leading group, held in Beijing on 5 December, that initial victory has been reported for the second phase of the 10-year "three-norths" forest belt project. The area afforested up to standard during the year reached 1.2 million hectares, overfulfilling the planned target by 80 percent. There were over 546 million trees planted on the "four sides" (house side, village side, roadside, and waterside), more than 289 million trees planted voluntarily by people, and 86,600 hectares of hillside and desert closed to facilitate afforestation.

The second phase of the "three-norths" forest belt project, approved by the State Council, will last from 1986 until 1995. Based on consolidating the achievements of the first phase, the main tasks of the second phase are to tend the existing forests, grassland, and vegetation; to newly afforest 6.37 million hectares of land; to sow an area of 170,000 hectares by airplane; and to close 1.54 million hectares of hillside and desert to facilitate afforestation. As a result, the forest coverage in the "three-norths" area should increase from 5.9 percent to 7.7 percent, 50 counties (banners) should be made green, a forest network should take shape over 17.3 million hectares of farmland, soil erosion over one-third of the loess plateau should be brought under control, and the natural ecological environment of the area surrounding Beijing and Tianjin and along the Beijing-Baotou-Lanzhou railway and the banks of the middle reaches of the Huang He should be improved remarkably.

According to the plan, an area of 667,000 hectares is to be afforested in the first year of the second phase. Compared with the first phase of the project, the following progress has been made in the second phase: First, instead of merely relying on administrative means, afforestation has been carried out as

a project, that is, management is exercised over the afforestation task according to the regular procedures of a project, investment is made according to relevant items, designs are prepared according to the plan, and construction is carried out according to the designs. Second, the setup of the varieties of forests and trees has been readjusted and both ecological and economic results are taken into account, which has led to an upsurge of developing economic and high-yield forests to bring mountains and deserts under control.

#### Commentator on Project

HK100759 Beijing RENMIN RIBAO in Chinese 6 Dec 86 [no page given]

[Commentator's article: "Redouble Efforts To Make the North of the Country Green"]

[Text] Following the overfulfillment of the first phase of the project, initial victory has been reported in the first year of the second phase of the "three-norths" forest belt project, known as the "world's largest ecological project" at home and abroad. This news is gratifying.

Forestry has been lagging behind for a long time in China. Today it is still a drag on the national economy. The only way out is to vigorously plant trees, tend forests, increase forest resources, and increase the proportion of forest coverage. The CPC Central Committee and the State Council decided 9 years ago to carry out the "three-norths" forest belt project. This is the fundamental program improving the ecological environment of half the country. The "three-norths" are the areas where the ecological environment is seriously affected. By the end of 1985, the forest coverage was only 5.9 percent, far behind the national level of 12 percent. Owing to a lack of trees and forests, 1.33 million square km of land has been turned into desert and another 280,000 square km has been affected by soil erosion. This seriously hinders the development of agricultural production and animal husbandry in the "three norths," as well as in the middle and lower reaches of the Huang He. Unless we improve the ecological environment of the "three norths" as quickly as possible, it will be impossible to change the natural environment of China as a whole. The carrying out of the project is also an important measure enabling the 130 million people in the "three norths" to develop their economy. Due to ecological imbalance, most of the areas within the shelter forest network are poverty-stricken areas. The only way out for these areas to put an end to their backwardness is to grow grass and plant trees, develop animal husbandry, transform the rivers and mountains, and turn poverty into prosperity. The building of the "three-norths" forest belt project is the essential preparatory measure adopted by the state to develop the great northwest. To smoothly shift the focus of China's economic development to the great northwest in the next century, it is necessary to make preparations now, and above all to create a fine ecological environment.

Protecting nature is tantamount to protecting mankind itself. The carrying out of the "three-norths" forest belt project is a social and public welfare undertaking which requires vigorous support and the concerted efforts of society as a whole. It should be noted that total investment in the project has not increased, and funds allocated by local finance or mustered through other channels dropped by 28 percent compared with last year. The comrades of some departments lack foresightedness and regard investment in afforestation as an extra burden. It is wrong to think and act in this way. Leading cadres at all levels should proceed from the overall situation, seek unity of understanding, and lead the broad masses to build a natural green defense in the "three norths" which is grander than the Great Wall.

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CSO: 4006/214

## AGRICULTURE

### QINGHAI AGRICULTURAL CONFERENCE STRESSES REFORMS

HK300253 Xining Qinghai Provincial Service in Mandarin 2330 GMT 29 Dec 86

[Excerpt] The provincial agricultural conference, which concluded in Xining on 29 December, proposed that the primary task in the province's rural work next year is to continue to carry out reforms. In the new year, the leaders at all levels must continue to implement the principle of actively developing diversification without any slackening of grain production. The province should achieve all-round, steady growth in grain and oil production, in the rural economy, and in peasant incomes. The province's agriculture will thus climb to a new level.

The meeting decided that the amount of grain to be procured next year will be kept at the 1986 level. Purchasing of grain by other units commissioned to do so on behalf of the state will be abolished. Price restrictions will be lifted on grain not covered by the procurement quota, and more grain will be purchased by agencies at negotiated prices. The peasants will thus have more opportunities of gaining benefit. In accordance with the relevant state regulations, we should continue to link the grain covered by the purchase contracts to chemical fertilizer, diesel fuel, and pre-purchase cash, and ensure that these items are made good, so as to protect and stimulate the peasants' enthusiasm for growing grain.

The meeting called on all areas and the departments concerned to increase agricultural input as much as possible. They should improve the material and technical conditions for agricultural production and boost the reserve strength for agricultural development. We must get a good grasp of building bases for commodity grain and fine-quality agricultural goods, improve the maintenance of water conservancy facilities, and improve irrigation conditions. On the basis of protecting and improving the existing farmland, we should expand the area of farmland.

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CSO: 4006/224

## AGRICULTURE

### BRIEFS

AGRICULTURAL DEVELOPMENT STIMULATES ECONOMY--Beijing 14 November (XINHUA)--Agricultural development during the 1977-1985 period boosted China's economy as a whole, according to today's ECONOMIC DAILY. The state purchased a yearly average 77 million tons of grain during this period, up 72.7 percent over the figure for the 1967-76 "Cultural Revolution" period. The purchase of cotton increased 56.5 percent and farm produce, 53.9 percent. During the 1977-1985 period, each Chinese had annual average of 344.7 kg of grain, 7.7 kg of edible oil, 12.5 kg of meat and 5.2 kg of aquatic products, representing increases of 18.6, 83.3, 73.6 and 20.9 percent over the previous decade. The increased output of grain, cotton, oil-bearing seeds, flue-cured tobacco, flax, silkworm cocoons and hides enabled the annual output value of the light industry to increase 19.3 billion annually, the paper said. [Text] [Beijing XINHUA in English 1148 GMT 14 Nov 86 OW] /12232

RADIOACTIVE CROP BREEDING TECHNOLOGY--Beijing, 18 November (XINHUA)--China has conducted one-third of the world's total of radioactive breeding of grain, cotton, vegetables, fruits, flowers and trees, today's GUANGMING DAILY reported. Gamma rays and other radioactive elements are used in breeding crops to shorten the breeding period and to develop both early-maturing and high-yielding varieties. So far, the country has used the method on 9 million hectares of farmland, which has increased the output of grain by 3 million tons and cotton by 450,000 tons. [Text] [Beijing XINHUA in English 0925 GMT 18 Nov 86 OW] /12232

GOVERNMENT BUYING LESS GRAIN--Beijing, 30 November (XINHUA)--The Chinese Government will cut the amount of grain it buys from peasants by 10 million tons in 1987 in a bid to arouse grain growers' initiative, the PEOPLE'S DAILY reported today. According to Zhang Gensheng, deputy director of the Rural Development Research Center of the State Council, this is part of the new government move next year to improve the contract-based grain purchasing system. Under the contract system introduced nationwide 2 years ago, peasants are required to sell a portion of their grain to the state at government-listed prices, which are usually lower than market prices. They they can sell their crops at market prices. Zhang said, "Next year the government will supply grain producers with 60 kilograms of chemical fertilizer and 30 kilograms of diesel oil for each ton of grain committed to the state at government-listed prices." [Text] [Beijing XINHUA in English 1227 GMT 30 Nov 86 OW] /12232

SHANDONG PER-CAPITA INCOME--According to statistics compiled by conducting sample investigations among 4,200 farm households in 42 counties, our province is expected to reach 425 yuan in per-peasant income this year, a 4.16 percent increase over the 1985 figure. Peasants throughout the province may earn 71.5 yuan this year from their businesses alone, a 16.3-percent increase over the 1985 figure. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Dec 86 SK] /6662

LIAONING ILLEGAL LAND OCCUPATION--Liaoning Province has basically concluded its survey of the illegal occupation of farmland. The province has discovered 230,000 cases of illegally occupying farmland, and the 150,000 mu of farmland that has been illegally occupied. To date the province has dealt with more than 5,100 cases of illegal farmland occupation, recovered more than 10,000 mu of farmland, and has collected 5.21 million yuan in fines for these illegal occupations. [Excerpt] [Shengyang Liaoning Provincial Service in Mandarin 1030 GMT 20 Dec 86 SK] /6662

QINGHAI RURAL ECONOMIC PROGRESS--Qinghai's rural economy has maintained a good momentum of steady development this year. Grain and oil-bearing crop output has increased over 1985, and the peasants' incomes have continued to rise. This year the province planted grain on 5.82 million mu, the first increase in sown area after 6 years of decline. Total output is estimated at 1.025 billion kg, an increase of 22 million kg over 1985. The oil-bearing crop area was 1.42 million mu, and the output is estimated to exceed 100 million kg, thus setting a new record. The management standard and product quality of the township and town enterprises have improved, and new developments have occurred in their lateral ties and import of talent and technology. The number of people working in these enterprises has increased to 150,000, and their total output value is estimated at 390 million yuan, an increase of 23 percent over 1985. In the wake of the development of production, it is estimated that average peasant net income this year will reach 345 yuan, a rise of 7.1 percent over 1985. [Excerpt] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 28 Dec 86 HK] /6662

FERTILIZER IMPORTATION FROM PHILIPPINES--Manila, December 18 (XINHUA)--China will import 70 million U.S. dollars worth of fertilizers from the Philippines in 1987. In an interview with XINHUA, Butch Pajarillo, press officer of the Trade and Industry Ministry, said that 115,000 metric tons of fertilizers worth 18.5 million U.S. dollars will be shipped out to China during the first quarter of next year. "The deal", he said, "will help reduce the trade imbalance between the Philippines and China. We are pleased that China has been very supportive by buying our fertilizers and other goods." Deputy Trade and Industry Minister Tomas Alcantara, concurrently president of the Philippine Phosphate Fertilizer Corporation (PHILPHOS), known as the largest phosphatic fertilizer plant in Asia, was in Beijing last week to negotiate the deal. Mr Pajarillo said that fertilizer exports of PHILPHOS are part of the trade agreement between the Philippines and China. In 1986, PHILPHOS exported 60 million U.S. dollars worth of fertilizer to China. Under the agreement, PHILPHOS will export annually 400,000 metric tons of fertilizers to China, representing 43 percent of PHILPHOS' total production at present. [Text] [Beijing XINHUA in English 1030 GMT 18 Dec 86 OW] /6662

XINJIANG: ANIMAL HUSBANDRY INCREASE--Urumqi, December 24 (XINHUA)--Xinjiang, one of China's five major pastoral areas, has reported an increase in live-stock breeding this year. According to the regional statistics bureau, the region has raised 11.8 million head of young livestock and the number of cattle slaughtered this year is expected to add up to 9.17 million, and the number in stock at the end of the year is expected to reach 30.7 million head, up 540,000 more than at the end of last year. The amount of meat produced by the multi-national region this year will be 17 percent more than last year to reach 215,000 tons, wool up 8 percent, to 43,000 tons, milk up 50 percent, to 300 million liters and eggs up 16.3 percent, to 50,000 tons. According to an official of the statistics bureau, more than 106,000 hectares were planted with grass, 54,000 hectares of grassland improved and 47,000 hectares of pastoral areas fenced this year. Also, improved breeds of livestock have been introduced to the region. In line with the development of animal husbandry, Xinjiang has set up 30 woolen textile mills with a combined production capacity of 30,000 spindles, 54 dairy farms, and 120 leather-processing factories. [Text] [Beijing XINHUA in English 1203 GMT 24 Dec 86 OW] /6662

ANHUI FARM MACHINE SALES--Based on statistics, 15,770 four-wheel tractors were sold in Anhui from January to October, a 40.76 percent increase over last year. More than 16,500 water pumps were sold, a 40 percent increase over the same period last year. [Excerpts] [Hefei ANHUI RIBAO in Chinese 14 Dec 86 p 1]

SHAANXI FISH OUTPUT--Based on incomplete statistics, the output of fresh fish in Shaanxi will exceed 7,400 tons, an increase of more than 1,400 tons over last year. The average per mu yield of adult fish of the 98 aquatic farms in the province was more than 200 kilograms, a net increase of 30 kilograms over last year. [Excerpt] [Xi'an SHAANXI RIBAO in Chinese 15 Dec 86 p 1]

JIANGSU CROP OUTPUT--This year the gross output of grain in Jiangsu is expected to reach 33.3 million tons, an increase of 2,030,000 tons over last year, or a 6.5 percent increase; more than 97 million mu have been sown to grain in the province. The per unit area yield of grain increased 18 kilograms over last year. The gross output of oil crops is expected to reach 1,164,000 tons, an increase of 77,000 tons over last year, or a 7 percent increase. Gross output of cotton will be 400,000 tons, a decrease of 79,000 tons over last year, or a 16.5 percent reduction. [Excerpts] [Nanjing XINHUA RIBAO in Chinese 3 Dec 86 p 1]

SHANDONG COTTON PURCHASING--As of 22 November 1986, Shandong Province has purchased 689,955 tons of cotton, fulfilling the annual cotton purchasing plan by 92 percent. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Nov 86 SK] /12232

HENAN AGRICULTURAL AREAS INSPECTED--Zhengzhou, December 29 (XINHUA)--Vice-premier Tian Jiyun inspected a number of less developed areas in central China's Henan Province on December 26 and 27, urging local people to pay more attention to grain production while seeking other ways to help themselves out of poverty. Agriculture, as the foundation of the economy, cannot be undermined or ignored. Full attention must be paid to a steady development of agriculture, especially of grain production, he said. He suggested that while grasping grain production, local people should make full use of local natural resources and engage in development projects by relying on their own efforts. "The money granted by local and central governments should be spent on key projects to solve problems one by one. Never again will such money be allowed to be distributed in an egalitarian manner as before," Tian said. In aiding the poor, "we should back them not only with money and materials but also with personnel, technology, information service, knowledge in enterprise management and products' distribution," Tian said. Tian also called on large enterprises to have some of their products processed by the poor areas and recruit some workers from among local peasants. [Text] [Beijing XINHUA in English 0700 GMT 29 Dec 86 OW] /6662

GANSU AGRICULTURAL LOANS--According to statistics, the total amount of agricultural loans issued by the system of the bank of agriculture of Gansu Province is some 455 million yuan and the system has fulfilled its quota for issuing agricultural loans for this year 1 month ahead of schedule. The amount of agricultural loans paid back to the system has also increased. This year, the system has issued loans of some 160 million yuan to township enterprises in villages, the amount of which has recorded an increase of some 50 percent over the same period last year. From January to November this year, all banks of agriculture throughout the province recovered overdue loans of some 300 million yuan, accounting for 85.27 percent of the quota for recovery. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 26 Dec 86 HK] /6662

GUANGXI GRAIN PRODUCTION--The state will appropriate 140 million yuan from its revenue as special funds to develop grain production in Guangxi Region during the Seventh 5-Year Plan. These funds will be mainly used to build and repair farmland and water conservancy facilities, to improve medium-yield and low-yield farmland, to cultivate and popularize fine varieties, to popularize technology, and to prevent and treat plant diseases and insect pests in order to develop grain production. These funds will be given to the 30 grain production base counties of our whole region and to the prefectures whose potential for developing grain production is great so as to stimulate the steady increase in grain production in these places. Each year, 28 million yuan of these funds will be appropriated. The funds for this year were appropriated respectively to counties and cities concerned around November. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 26 Dec 86 HK] /6662

LIAONING AGRICULTURAL PRODUCTION--According to statistics compiled by the provincial departments concerned, despite the natural disasters over the past 2 years, our province may still score a total grain output of 12 billion jin this year and score 13 billion yuan in its total agricultural output value, a 23-percent and 10.2-percent increase over the 1985 figures, respectively. The province has also scored an increase to varying degrees in the

output of farm and sideline products, such as meat, eggs, and aquatic products. The enterprises of industry, commerce, electric power, transportation, and garments in both urban and rural areas throughout the province have realized 19 billion yuan in their output value, a 32.8-percent increase over the 1985 figure. The per capita income of this year is expected to reach more than 510 yuan. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 Dec 86 SK] /6662

CSO: 4020/60

## LABOR

### LABOR CONTRACT SYSTEM EXPLAINED IN INTERVIEW

Kunming YUNNAN RIBAO in Chinese 11 Sep 86 p 2

[Interview with Li Jianping [2621 1696 1627], chief of the provincial department of labor and personnel by unnamed reporter: "Labor Contract System Enhances Workers' Status as Proprietors: Chief of Provincial Department of Labor and Personnel Answers Reporter's Inquiry on Labor Contract System"]

[Text] Provincewide labor system reform will be implemented in Yunnan in the near future. Recently this reporter interviewed Li Jianping on various aspects of the labor contract system which most concerned the people. Li carefully explained the nature, characteristics, and merits of the labor contract system. The following are excerpts:

[Question] What is a labor contract system?

[Answer] A labor contract system is a system in which workers and personnel hiring units enter into a contractual agreement stipulating each other's rights and obligations. It is a new system integrating responsibilities, rights, and privileges. It has very positive effects on invigorating the enterprises, and reflects fully the unanimity of benefits shared by the state, the collective, and the workers. In implementing the labor contract system, workers and personnel hiring units may enter into agreement based on mutual aspirations and needs. This retains the merits of a permanent job system and at the same time eliminates the disadvantage of relying solely on administrative channels in hiring workers. It encourages workers to put their talents to the best use and at the same time satisfies the needs of enterprises. Up to the present time more than 66,000 workers have been recruited under the labor contract system in Yunnan. These comrades are dedicated workers, many have become backbones of production in their work units within 1 or 2 years and have contributed toward the prosperity and growth of their enterprises. Facts proved that labor contract system is the new hiring system which brings out the best in workers.

[Question] What is the difference between labor contract workers and contract workers in the past?

[Answer] Since 1956 some enterprises have signed labor contracts with recruits when hiring temporary workers. At that time these workers were

called contract workers. The wages, insurance, and welfare benefits of these contract workers were usually set by local authorities and enterprises, and were usually below the enterprise's standards for their regular workers. When these workers grew old or lost their ability to work, they had no retirement, pension, or insurance benefits. Because these contract workers were extra-plan recruits and were not regular workers, they could not join unions, and enterprises seldom made arrangements for them to attend any cultural or technical studies or let them participate in democratic management.

Trial implementation of the labor contract system was launched in 1980. The main characteristic is the establishment of labor relations between enterprises and workers through a contractual agreement. It clearly defines the responsibilities, rights, and privileges of enterprises and workers. Labor contract workers hired by enterprises must be within the quota of the state labor and wage plan. The state also stipulates that all labor contract workers are considered regular workers and are entitled to the same rights and privileges, such as work, duties, studies, participation in enterprise democratic management, eligibility for political honors and material awards and others, enjoyed by the enterprise's original permanent workers. Their wages, insurance, and welfare benefits should be at the same level as other workers in equivalent jobs and posts. The only difference is that workers under the labor contract system have less of the "full coverage" of insurance and welfare benefits, but their wages better reflect the amount of effort they exert. That is, what these workers lose in insurance and welfare benefits, they are compensated in the form of wage subsidies. When these workers are furloughed or are ready to retire, unemployment welfare and retirement security systems will give them the protection they deserve.

[Question] Some comrades are worried: Will this labor contract system be confused with labor employment system under capitalism?

[Answer] There is an essential difference between the labor contract system under socialist conditions and the wage labor system under capitalism. We all know that it is the form of ownership of means of production which determines the nature of labor. In a capitalistic society, means of production are privately owned by capitalists. Labor is a peculiar commodity, bought and sold like any other form of commodity. Labor purchased by the capitalist is integrated with other means of production. The surplus value created by this integration is owned entirely by the capitalist. This generates the exploiter-exploited employment relationship. Socialism destroys this exploitation system. Workers are the owners of a means of production. Labor is no longer a commodity. The worker's status in society is elevated. Public ownership of the means of production enables workers to integrate directly with other means of production, thus eliminating the root source of wage labor. The socialist system has determined that our personnel hiring system does not involve an employer-employee relationship. Our labor contract system enables workers to choose work according to their own interests, inclinations, and abilities. Personnel hiring units can also choose workers based on production needs. Workers and hiring units enter into a contract on a voluntary and equitable basis to specify each other's responsibilities, rights, and privileges. This kind of cooperation is conducive to bringing out

the best in both sides and reaching the standard of "from each according to his ability"; it is conducive to handling the labor relations between individual workers, collectives, and the state. It is in no way an employer-employee relationship.

[Question] Since labor contracts stipulate a time limit and specific responsibilities, will the system affect the role and status of workers as their own masters?

[Answer] On the contrary, experience at the Yunnan Aluminum Plant, the Ji Street Smeltery and the Gejiu Porcelain Factory, where labor contracts are more common, reflects that the labor contract system actually enhances the status of workers as masters. The reason lies in the fact that the labor contract workers' future as well as their income ride on the success or failure of their unit. Only if the unit is prosperous can workers expect stable long-term work and high income. This gives workers the incentive to act like proprietors, to learn diligently and work hard. Some labor contract workers at the Ji Street Smeltery said that "if the plant prospers, we prosper; if the plant slumps, we slump: our fate is closely tied to that of the plant."

One of the goals in implementing the labor contract system is to enhance the role of workers as masters and bring the worker's sense of proprietary responsibility into full play, and make full use of the comrade worker's talents and abilities to accelerate economic construction. Therefore the worry that the labor contract system may diminish the workers' sense of proprietary responsibility or weaken their proprietary status is unfounded.

[Question] Many wonder how the time limit on the contract is determined?

[Answer] Each profession, each business may set its own contract duration based on the characteristics and practical production needs of that profession or business, the type of work or production or operations. It is decided mutually by the hiring units and the workers. They may enter into long-term contracts (5 years or more), or short-term contracts (1 to 5 years). Contracts may be renewed or extended upon expiration if there is the need, and if both sides agree. Neither side may arbitrarily terminate the contract during its term; violators will be held responsible.

[Question] What kind of plans and arrangements are being made to implement the labor contract system in Yunnan?

[Answer] In accordance with the spirit of the CPC Central Committee and the State Council regarding labor system reform, the provincial party committee and the provincial government are paying great attention to the matter. Serious studies pertaining to the implementation of this system in Yunnan have been made. We have formulated comprehensive plans and set up specific tasks and requirements. Based on the provincial party committee and provincial government directives our specific plans and arrangements are:

1. Emphasize organizational work: Augment, strengthen, and establish labor service companies, labor dispute arbitration and labor insurance organizations which are closely associated with the system reform so that they may assume the responsibilities for the various tasks under the labor contract system.

3. Formulate implementation procedures and supplementary regulations based on the four provisions on labor system reform as well as the guiding spirit of the provincial leaders. These are our immediate plans and arrangements.

Concurrently, in accordance with the unified plan of the CPC Central Committee and the State Council, our province, too, will implement the four provisions pertaining to labor system reform in October. This is a formidable task and we must rely on help and support from all quarters in society and people of all races throughout the province. We must pool the wisdom of the people, and together strive to accomplish the party and the government's formidable and glorious task.

Finally, Comrade Li Jianping said that labor system reform is a new undertaking, its implications are broad, and the policy is strong; he therefore urged all relevant departments to band together to accomplish this task.

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## LABOR

### GUANGMING RIBAO DISCUSSES LABOR RESOURCES MARKET

HK150641 Beijing GUANGMING RIBAO in Chinese 29 Nov 86 p 3

[Article by Wang Jue [3769 3778] and Xiao Xin [5135 2946]: "More on the Labor Resources Market--A Reply to Comrade Han Zhiguo"]

[Text] In an article entitled "On the Labor Resources Market" published in the 12 July GUANGMING RIBAO, we stated the following view: In the socialist economy, on the one hand, the labor of the laborer who takes the main role in the production relations and is the owner of the means of production cannot be a commodity; on the other hand, labor force as an element of production will naturally be turned into something with measurable value and circulate on the market. On 2 August, Comrade Han Zhiguo published an article entitled "Labor Force Will Still be a Commodity Under the Socialist Condition" to challenge our view (hereinafter this latter article will be called "Challenge" for short). Here we would like to further elaborate our view as a response to Comrade Han Zhiguo's challenge.

#### The Labor Resources Market as a Category

A scientific category should correctly reflect and accurately sum up the nature of things. The labor resources market as a category reflects in broad outline the following economic nature: Under the condition of the socialist commodity economy, the laborers jointly own means of production and both of them, as elements of production, are directly combined with each other. However, out of the need of a unitary circulation form of the elements of production, the quantitative and qualitative combination of laborers and production means in different fields of production or different enterprises is subject to regulation by the market mechanism, otherwise the rational flow and optimal distribution of elements of production cannot be realized. On the surface, the combination of laborers and production means shows itself in the form of market relations. In substance, however, it involves the rational distribution of a society's labor resources. Therefore, we consider in a broad sense such a combination as the operation of a labor resources market.

We hold that the three criticisms made by the "Challenge" against our view on the category of the labor resources market are incorrect. First, the "Challenge" holds that the labor resources market as a concept does not

indicate that the labor circulating in the market is live labor resources. In fact, in the classification of elements of production from the perspective of social economic resources, labor force, capital, technology, and land are all concepts corresponding to something specific. So, labor resources of course denotes the resources of labor force or the resources of live labor. This is a question of common sense which is self-evident. Second, the "Challenge" holds that the labor resources market as a category is too ambiguous since it includes both the existing labor resources (labor force) and the latent labor resources (say, children). In fact the labor force market as a concept includes both too. Labor force consists of not only the labor force currently in employment but also the labor force under training. Socialist production is a process of expanded reproduction which depends on the market mechanism in regulating the distribution of the existing labor resources and in transforming part of the latent labor resources into active labor resources or in transforming part of the active labor resources into reserve labor resources in accordance with a fixed ratio. If there are only active labor resources circulating in the market, how can the shortage in the supply of or demand for labor in the whole society arising from the change in the relation between supply and demand in the market be made up? The labor resources market as a category exactly reflects the basic requirement for the labor resources market as a category; does not indicate whether the labor force is provided by the laborers themselves or by others, therefore it is not possible to distinguish the market where labor force is circulating as an element of production from the slave market. This criticism is a specious argument. The slave market as a means to obtain labor resources gradually declined after the slave society except during certain special periods. Trade in slaves is rare even in capitalist countries today, and the slave market cannot possibly exist in the socialist economy. Now that we are interpreting the labor resources market as a category in light of the socialist mode of production, is there still any doubt about its specific meaning?

The choice of the labor resources market as a category is scientifically reasonable because it is free of the shortcomings of such concepts as "service market," "labor market," and "job market" and, at the same time, it is much more accurate than the concept of "labor force market" in reflecting the fluidity of labor force as an intrinsic feature of the socialist commodity economy. Of course, this does not imply that it is the most scientific category. As ours is an initial study, a more scientific category may emerge as a result of further study.

#### The Theoretical Basis of the Labor Resources Market

The following argument is taken as the theoretical basis of the labor resources market as a category--under the socialist condition, labor force is in substance not a commodity but something with measurable value. However, the "Challenge," which holds a different opinion on the labor resources market as a category, takes a different argument as its theoretical basis, namely, labor force, under the socialist condition, remains in substance a commodity. To find out which is right and which is wrong, we must, above all, be clear on the basis nature of labor force under the socialist condition.

What is the reason supporting the argument that labor force remains in substance a commodity under the socialist condition? The "Challenge" claims: Their key point is that "the laborer does not own any real means of production that is at his direct disposal." This statement will hold if it just refers to an individual laborer. However, the intrinsic feature of socialist laborers just determines that they are joint laborers. Therefore, they own, not only in name but also in reality, "real production means that is at their direct disposal." Otherwise there will be no socialist economy. At the same time, the theoretical falsehood of the "Challenge" also rests on its confusing two things, namely, the idea that "the laborers do not own any real production means that is at their direct disposal" and the basic condition for the transformation of labor force into a commodity that Marx had pointed out--the deprivation of the laborer's ownership of production means.

The so-called deprivation of the laborer's ownership of production means can be observed in the following three aspects: 1) The laborer is separated from the ownership of production means in any sense, in other words, he does not have either the ownership of individual enterprises' production means or the ownership of the production means of the whole society. Only under such a circumstance will there be a need for the laborer to earn a living by selling his labor force. 2) The laborer loses his control over and his right to use his own labor force in the production process. It is under such a circumstance that the ownership of labor force as a commodity arises in the production process. And 3) the laborer is separated from the ownership of products in the process of distribution of products. What he obtains is merely an equivalent for the reproduction cost of his labor force. Only in such a case will the laborer remain the mere seller of labor force after the end of each production process. Thus, it can be seen that a laborer who sells his labor force as a commodity is certainly a laborer living in the wage labor relations of production. He cannot possibly be any figure of the Robinson Crusoe type who is isolated from the social production relations. The falsehood of the "Challenge" just lies in that it has analyzed the ownership of production means in isolation, with the laborer separated from the specific production relations; and in that it has simply reduced the relations regarding the ownership of production means to a kind of relations featuring possession and control of production means in the legal sense, and has thus negated the rule that ownership can only be truly exercised at the end of a series of processes, namely, production, exchange, and distribution.

To be sure, in the socialist economy, a non-joint laborer does not have the direct ownership of production means. The integration of the laborer and production means can only be realized in a certain form of contract between the individual and the enterprise. But this contract relationship does not imply equivalent labor. This is because: First, under the socialist condition, the contract relationship that the laborer establishes with the enterprise with a view to getting himself involved in the production process is not only a form of his exercising his personal ownership of labor force but also a form of his exercising the ownership of production means. This unique nature of the production relations provides that the contract relationship between the laborer and the enterprise can only be a relationship featuring the exchange of equivalent labor. If this relationship is regarded as a

transaction of commodity, then the exchange will be reduced to the mere exercise of the personal ownership of labor force and will have nothing to do with the exercise of the ownership of production means as an economic operation. So this exchange can hardly be classified as an exchange under the condition of public ownership. Second, since the contract between the laborers and the enterprise is concluded on the premise of joint ownership of production means by the laborers identified as the joint laborer, the laborers will become, only in the production process, the owners who control and use the production means and manage the enterprise. If the contract relationship between the laborers and the enterprise is regarded as a relation of commodity exchange, then the laborers, after selling their labor force as a commodity, will lose their control over, and their right to use the labor force in the production process, and thus they will no longer be owners of the enterprise. And third, as a reflection of the relationship between the laborer and the enterprise in terms of distribution, the return for the laborer's work will be higher than the value limit of the labor force. This is the ultimate realization of the laborer's ownership of production means. If the relations between the laborer and the enterprise is regarded as a relation of commodity transaction, then what the laborer acquires can only be an equivalent to the value of labor force in the form of money. Such being the case, the principle of distribution according to work will not work any more and the socialist relations of production will be reduced to naught as well. Thus, it can be seen that the laborer, within the framework of socialist relations of production, has not lost his ownership of production means and the labor force does not have the nature of commodity either.

Therefore, one will never be able to justify himself if one tries to explain, by arguing that labor force remains in substance a commodity, the flow of labor force by the means of market under the socialist ownership of production means. A scientific conclusion can be drawn only if the explanation of the flow of labor force on the market under the socialist condition is based on the argument that labor force is in substance not a commodity but something with measurable value.

#### The Economic Mechanism of the Labor Resources Market

Although labor force is not a commodity in the socialist commodity economy, the return for the laborer's work will inevitably take the form of value and then be linked up with the market since the contract relation between the laborer and the enterprise is a kind of relation featuring exchange of equivalent labor based on the law of value. Here the question is: how can the return for labor in the form of value show itself as labor force with value characteristics which is an element of production? In our opinion, the whole crux of the question lies in that the difference in the value arising from the work done by different laborers is in the main the result of the difference in the amount of labor contributed by different laborers; while this latter difference is, in its turn, derived from the difference ... the quality of labor force, provided that the time spent on work is the same. Hence, the difference in the quality of labor force cannot be measured by itself but by its value as a unified form. This leads to the need of evaluation of labor force, in other words, the reflection of the difference in the quality of labor force in the form of wages.

Wages are originally an expression of the currency form of the principle of distribution according to work. However, in order to implement the principle of distribution according to work, the products of different enterprises must first of all be turned into commodities so that an exchange of equal values can be carried out and the value of different commodities can be reflected. Only then is the exchange of equal amounts of labor between the enterprise and the laborer possible. Moreover, the exchange of equal amounts of labor is always conditional on the exchange of equal values. When the demand for the products of a certain enterprise exceeds its supply on the market, these products will be sold at a higher price, the amount of labor contributed by the laborers of this enterprise will have a higher value, and vice versa. Due to the above rule of market exchange, laborers who supply equal amounts of labor of equal quality may get different amounts of wages in different enterprises. If we agree that the wage mechanism, under the capitalist condition, shows itself as the fluctuation in the price of labor force which is conditional on the supply and demand on the market, then, in the socialist commodity economy, it will show itself as the fluctuation in the amount of value which is distributed according to work and is conditioned by the rule of market exchange.

The amount of value distributed according to work varies along with the change in supply and demand on the market. This relation under the socialist condition serves as the major mechanism regulating the circulation of labor force. On the one hand, the difference in the wage level between different enterprises is an indicator of the direction and rate of the flow of labor force. When a certain enterprise offers a high pay, there is a greater demand for its products on the market, and it has a need for more labor, then the labor force will be diverted to this enterprise. And the margin of difference in the wage level will reflect the demanded rate of flow. On the other hand, the difference in the wage level also produces an external pressure forcing labor force to flow. When a certain enterprise offers a lower wage level, it means that the market is giving a signal urging this enterprise to reduce its scale of production and to cut the amount of employed labor force, thus forcing the labor force of this enterprise to flow to other enterprises. The change in the wage level reflects the change in the supply of and demand for labor caused by the change in the market condition, and will in its turn regulate the supply of and demand for labor to achieve a balance. At the same time, the supply of and demand for labor also act on the average wage level of the whole society and regulate the laborer's desire for consumption. Thus, it can be seen that this fluctuation in the wage level, though not showing itself as the fluctuation in the price of labor force, is serving as a market mechanism in regulating the flow of labor force.

In recognizing the wage as a market mechanism and regarding it as the price of labor force, the "Challenge" has made a mistake because it has oversimplified the case. The reason why the wage fails to play the role of market mechanism under the traditional structure is not because it does not show itself as the price of labor force but because the enterprise's wage setting process is separated from the outcome of its operation, which leads to the separation between the system of distribution according to work and the market relations.

so long as the enterprise's status as a commodity producer is established and the system of distribution according to work is linked with the market relations by revesting the enterprise with the wage setting power, the wage as the form of value distributed according to work will act as the economic mechanism of the labor resources market.

By and large, there are essential distinctions, whether in terms of conceptual framework, content, or operational mechanism, between the labor resource market that we have proposed and the labor force market based on the assumption that labor force is a commodity. Due to these distinctions, the labor resources market has an internal structure and an external organizational form that are different from those of the labor force market. And that is the very reason why different measures should be taken in opening up a labor resources market and a labor force market. The practical significance of the theory of labor resources market lies purely in that it has summed up on the theoretical plane the peculiarity of the flow of labor force in the socialist commodity economy, thus providing a guideline for the reform of the labor and wage system.

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CSO: 4006/196

## TRANSPORTATION

### SHANGHAI CONSIDERS FOREIGN HELP TO BUILD SUBWAY

HK310552 Beijing CHINA DAILY in English 31 Dec 86 p 1

[Article by staff reporter Hu Sigang]

[Text] Shanghai--The largest industrial city in China is considering using foreign help to build its ambitious new underground railway system.

Chen Kangzhen, manager of Shanghai Metro Corporation, which was set up a year ago, said the city will have seven subway lines, five more than Beijing, the nation's capital.

A passenger train carriage manufacturer in Changchun, Jilin Province, has set up a special design group at the invitation of the metro corporation and more than 20 companies from other countries have offered to take on the job of construction singly or jointly, Chen said.

Trial digging has started at Caohejin and at the site of the new Shanghai Railway Station, the two ends of the first 14.41-kilometre line which will cross the four downtown districts of Xuhui, Luwan, Huangpu and Zabei with 13 stops including People's Square, the centre of the city.

The project at Caohejin began in the early 1980s but has progressed very slowly. Little more than half a kilometre has been completed so far, Chen said.

The municipal government has already invested more than 60 million yuan in the subway and the new Shanghai terminus, Chen said, rejecting claims that the ground was too soft to support the subway and that distant water supplies could mean fire problems.

"An underground system in a city like Shanghai has all the advantages. It's inevitable in modern cities that the metro will play the major role in urban transport," said Chen, a transport engineer. "That's why the State has decided to develop subway trains despite the high costs."

The construction of a subway in Shanghai has been supported by State leaders like Party General Secretary Hu Yaobang and Vice-Premier Wan Li, according to Chen.

He told CHINA DAILY that their project suggestion report has already been approved by the State Council and a feasibility study and project programme is being submitted to the central government.

Chen said the feasibility report, prepared jointly by the Beijing Urban Construction Design Institute and the Shanghai Tunnel Design Institute, had won the full support of the State Science Commission and the International Cooperation Agency under the Japanese Foreign Ministry. It has also been assessed by a Hong Kong metro company. "Our feasibility study is a result of pooled efforts," he said.

According to the municipal plan, the city will ultimately build seven subway lines covering a total of 176 kilometres, but the first phase is to build three lines.

The second line planned will be from Zhongshan Park in the west to Yangshupu in the east and the third will be a circular route beneath Zhongshan Road. Advanced overseas technology and equipment will be used to construct the first line.

Each train will have eight airconditioned passenger carriages with a load capacity of more than 2,300 people, Chen said.

During the rush hour, the expected one-way passenger volume per hour per train will be 60,000 people, equivalent to the total transport volume of 400 large buses. The average speed of subway trains during business hours will be 33 kilometres per hour, double that of the city's buses, Chen said.

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CSO: 4020/77

## TRANSPORTATION

### COUNTRY REBUILDS RAILWAY BETWEEN ZHENGZHOU, WUCHANG

HK080413 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1352 GMT 4 Dec 86

[Report: "China To Invest a Large Sum of Money in Rebuilding the Zhengzhou-Wuchang Section of the Beijing-Guangzhou Railroad"--ZHONGGUO XINWEN SHE headline]

[Text] Wuhan, 4 Dec (ZHONGGUO XINWEN SHE)--China has decided to invest some 1.1 billion yuan and make use of some foreign funds to import advanced telecommunications and signal equipment in order to rebuild the section between Zhengzhou and Wuchang of the trunk railway line from Beijing to Guangzhou and to complete the electrification project on this railway.

This railway rebuilding project has been included in the Seventh 5-Year Plan as one of the state's key projects.

The railway section between Zhengzhou and Wuchang, with a length of some 560 kilometers, is very busy, as it is the main channel for transporting coal from northern China to southern China. Since 1984, the railway section has been operating at its transporting capacity. The rebuilding of this railway section will be of great significance in raising the transport capacity of the entire Beijing-Guangzhou railway and achieving the electrification of the entire railway line.

The general engineer in charge of this project, Song Jiyuan, said: At present, most of the design work for the rebuilding, expansion, moving, and new buildings of items on the railway line has been completed; steel products and cement bought with World Bank loans have been transported to the construction sites; the three project headquarters in Luoyang, Zhengzhou, and Wuhan will direct all the operations along the line. The state has required that the project be completed in 1989.

After the Zhengzhou-Wuchang railway section is electrified, the hauling capacity of each locomotive will be raised from 3,500 tons to some 5,000 tons. Cargo trains will then be dispatched through flow processes, and work efficiency will be greatly raised by shortening the waiting time and increasing the number of services.

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CSO: 4006/227

## TRANSPORTATION

### SHENZHEN'S TRANSPORT NETWORK TAKES SHAPE

HK290357 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0211 GMT 26 Dec 86

[Text] Shenzhen, 26 Dec (ZHONGGUO XINWEN SHE)--To date, Shenzhen's transport network linking with areas at home and abroad has taken shape, thus further improving its investment environment.

In land transportation, the multiple track system for the Shenzhen-Guangzhou railway will be completed and put into use in January 1987 which will increase the transport capacity by 100 percent. Shenzhen has paved 140 kilometers of asphalt road this year. Now the total length of the city's asphalt road is 310 kilometers. The 5 districts within the special zone, and the 16 Baoan County districts, are all connected by asphalt roads. Shenzhen has regular bus services to over 10 prefectures and 50 cities within Guangdong and to Quanzhou and Hong Kong.

In water transport, Shenzhen has built wharves in Chiwan, Shekou, Xingang, Meisha, Dongtougiao, and Shangbu. Shenzhen also has 3 berths each with a capacity of 25,000 tons, and 8 berths each with a capacity of 5,000 tons, the annual handling capacity reaching 5 million tons. Shenzhen has opened freight transport routes to major domestic ports and to 13 countries and regions including the United States, Australia, and Singapore. It has also opened passenger transport routes to Guangzhou, Zhuhai, Zhongshan, and Hong Kong.

Shenzhen's air transport has also developed considerably. Apart from building an all-weather heliport, Shenzhen has opened air routes to Beijing, Zhengzhou, Hangzhou, and other cities with the aid of Huiyang Pingtan airport in the Shenzhen suburbs. Air tickets from Guangzhou to major Chinese cities are sold in Shenzhen. The 3 airline companies in Shenzhen sell an average of over 400 tickets daily.

A responsible Shenzhen person said that Shenzhen's transport will develop enormously within the next 2 to 3 years. Transport projects under construction or preparation include Hewan port Yantian deepwater wharf, the Shenzhen-Guangzhou highway, and Shenzhen International Airport.

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CSO: 4006/227

## TRANSPORTATION

### GUANGDONG BEGINS BUILDING ANOTHER FREEWAY

OW282021 Beijing XINHUA in English 1545 GMT 28 Dec 86

[Text] Guangzhou, December 28 (XINHUA)--South China's Guangdong Province has begun building another speedway today to link the capital of the province--Guangzhou--with porcelain city of Foshan, according to provincial highway bureau.

This is part of the province's 3.3 billion yuan road construction program for the 1986-1990 Seventh 5-Year Plan period.

The freeway will be linked with that around Guangzhou City and the Guangzhou-Shenzhen-Zhuhai freeway, which will soon be started.

The completion of the freeway is expected to greatly ease the traffic congestion along the original overloaded paved road from Guangzhou to Foshan City. With four lanes, the road will allow vehicles to run at a speed of 120 kilometers per hour.

The 194 million yuan of funds required will be raised locally, the highway bureau said.

To further stimulate the already relatively developed commodity production in the province, the provincial authorities have planned to upgrade all its first- and second-class highways and complete the 120-kilometer expressway from Guangzhou to Shenzhen, a special economic zone, and a freeway from Shenzhen to Shantou, another special economic zone in the province. In addition, the province plans to spend 100 million yuan building 5,000 kilometers of highways in the mountainous areas inhabited mostly by minority ethnic groups.

Most of the funds needed will come from bank loans, state subsidies and foreign investment and road tolls, the road authorities said.

By 1990, when the key projects are completed, the province's road mileage will reach 70,000 kilometers, as against only 64,000 kilometers in 1985, and bring the total length of first- and second-class roads from 8,100 kilometers to 10,000 kilometers.

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CSO: 4020/77

## TRANSPORTATION

### ZHENJIANG PORT TO OPEN TO FOREIGN SHIPS

HK310556 Beijing CHINA DAILY in English 31 Dec 86 p 2

[Article by staff reporter Wu Xue]

[Text] Zhenjiang Port in East China's Jiangsu Province will become the fourth port along the Yangtze River open to foreign ships, according to an official from the General Office of Port Administration under the State Council.

The preparation work, which includes construction of port inspection departments, a customs house and an international seamen's club, now is under way, he said. After all these pass qualification tests early next year, the port will be formally opened to foreign ships.

The other three Yangtze River ports which have been designated by the government as open to foreign countries are Nantong, Nanjing and Zhangjiang, all in Jiangsu Province.

Zhenjiang is situated in a key spot on the lower reaches of the Yangtze River near the Shanghai-Nanjing, Beijing-Hangzhou railway lines and the Beijing-Hangzhou Grand Canal. About 260 kilometres from the sea, ships can reach all the big ports of the world from there. The port has an annual handling capacity of 10 million tons.

The port has 34 berths, including four deep water berths for 25,000-ton freighters and one for 2,000-ton [figure as published] freighters, which were completed in the first construction phase last year. The second phase will build four more 10,000-ton berths. It is predicted that 18 to 20 deep water berths for 10,000-ton freighters may be built at the port, with an annual handling capacity of 10 million tons.

After its opening to the outside world, Zhenjiang Port will undertake transportation of exports and imports for Jiangsu Province and other inland provinces along the middle and upper reaches of the Yangtze River. This will ease the heavy burden at the Shanghai Port, the largest port in the country.

Zhenjiang Mayor Gao Bezheng said "the port also will play an important role in further developing Jiangsu's economy. It is especially favourable to boosting Zhenjiang City's foreign trade."

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CSO: 4020/77

## TRANSPORTATION

### BRIEFS

ZHAPU PORT IN EAST CHINA--Hangzhou, December 25 (XINHUA)--Work has begun on a new port on the northern bank of the Hanzhou Bay facing the East China Sea, according to the port administration. The port is designed to handle 1.07 million tons of cargo annually by 1990. "During the State Seventh 5-Year Plan period (1976-1990)," an administration official said, "the state will invest 73.5 million yuan to build a berth for ships of 10,000 dead weight tons and a berth for ships of 1,000 dwt, which can handle 450,000 tons of cargo annually." Besides, the provincial government will also build 12 berths for freighters of 100 dwt, which can handle 515,000 tons of cargo a year, he said, adding that the administration plans to complete the project by the end of 1989. The Zhapu Port where the berths will be built used to be a flourishing one which attracted a lot of foreign business people in ancient times. Right after the 1911 revolution which overthrew the Qing Dynasty, Dr Sun Yat-sen planned to turn the port into a noted one in the east. Owing to various historical reasons, the port has long been neglected and most of the local goods have had to be transported to Shanghai first before being shipped abroad. [Text] [Beijing XINHUA in English 0843 GMT 25 Dec 86 OW] /6662

CSO: 4020/77

## PRC MEDIA ON FOREIGN ECONOMIES

### USSR, EAST EUROPE PUSH MANAGEMENT REFORM

OW171330 Beijing XINHUA in English 1256 GMT 17 Dec 86

["Soviets, East Europeans Push Ahead With Reform of Enterprise Management"--XINHUA headline]

[Text] Beijing, December 17 (XINHUA)--For the Soviets and East Europeans, 1986 is a year that has seen their intensive endeavors to give a fresh impetus to the processes of management decentralization and industrial restructuring in an attempt to invigorate their economies.

They have been striving to install more flexible economic mechanisms that will help achieve their cherished goals of increasing productivity and raising efficiency, by delegating more decision-making power to enterprises while improving the central leadership and macro-economic control over economic activities, and by linking workers' pay more closely to their job performance.

The reform of the management structure is also becoming part of the endeavors with new firing-hiring systems being introduced in some of these countries.

In the Soviet Union, enterprises, which have been involved in an "economic experiment on a massive scale," produce half of the country's total industrial output. The experiment is aimed at enlarging enterprises' autonomy and linking their income and work efficiency with their productivity.

In carrying out the experiment, which was started in 1984, the main measures include reducing mandatory quotas assigned by the state to enterprises, making enterprises, as producers, more closely bound by contracts with marketing units, stabilizing production quotas for a certain period of time to enable enterprises to achieve better economic results and delegating more authority to them over financial and personnel affairs.

These measures have succeeded in some ways in raising productivity.

Beginning 1987, all industrial enterprises in the country will introduce economic mechanisms that have proven to be effective.

Also in 1987, a full economic accounting system will be introduced in enterprises under the chemical and oil engineering ministry and four other

ministries. This means that the enterprises will have to raise funds for themselves and assume sole responsibility for their profits or losses.

In Hungary, under a new economic mechanism initiated in 1968 when the country's economic reform program began, mandatory economic plans have been abolished across the board and enterprises have been enjoying more independence and autonomy.

However, there has been a lack of a motivating force for industries suffering losses to raise their efficiency because they will not go bankrupt no matter how poorly they may perform. Therefore, a bankruptcy law was introduced in September, something that was unknown in the country for the past decades. Under the law, inefficient enterprises will be involved in an industrial shake-up.

Poland launched an economic reform program in 1982, with its stress on the principles of independence, autonomy and sole responsibility for profits or losses for enterprises. The authorities have decided to push the reforms, designed to increase efficiency, to a second and "more profound" phase to step up economic development.

The measures give more emphasis to the role of the market while maintaining that of central planning in the economic strategy. Managers will be allowed more decision-making power and a collective contracts system for production teams is now in force.

At the 13th Congress of the Bulgarian Communist Party in April, the party leadership called for the establishment of "socialist self-governing organizations" to serve as the engines of the economic mechanism and give more power and responsibility to enterprises in dealing independently with their marketing partners at home and abroad.

Realizing that finding a solution to the production and marketing of consumer goods is a matter of urgency, Bulgarian leaders called for creative efforts to establish a more direct link between the producer and its market. All producers have been encouraged to open their own shops to sell their products.

In a renewed effort to grant greater freedom to enterprises, the Democratic German Government decided earlier this year that enterprises will fund and decide on part of their investment by themselves. The measure will help the integrated enterprises to raise most of their funds, and with some money at their disposal, the enterprise will be in a better position to introduce new technologies and improve workers' working and living conditions.

Czechoslovakia has worked out new measures to be carried out in economic management for 1986-1990. According to these measures, 40 percent of the mandatory targets for enterprises will be written off and their work efficiency and performance will be measured by their net output value.

In similar efforts, some countries have made greater strides in promoting the participation of workers in the management of enterprises.

In Hungary, by August this year, all directors and managers in state enterprises except those in key industries had been elected by workers.

In Bulgaria, such elections are under way to choose managers or members of the "economic committees" of enterprises.

A system of electing and employing principal leading members is being carried out on a pilot basis in a number of companies in the Soviet Union

The Soviet Parliament last month authorized individual private businesses under the "individual labor law" which takes effect next May. According to the law, private businesses will be allowed in 29 types of production and service sectors, including taxi-driving, repair work, translation and tutoring.

Hungary's private businesses have been allowed in more fields under a revised commercial law.

Restructuring economic institutions at the central level is seen as another effort to overcome the barriers between departments, departmentalism and parochialism in the economic area.

In the Soviet Union, several inter-departmental bodies have been set up to coordinate similar or closely inter-connected government ministries.

In Bulgaria, in a major government reorganization in March, six economic ministries were abolished. And at a parliament session in January, three councils under the Council of Ministers (cabinet) were established, including a powerful economic council. These councils are aimed at getting rid of excessive centralism and bureaucracy and coordinating the activities of the ministries and other organizations.

The Soviet Union and these East European countries are also seeking ways to reform systems of finance and credit, price, wage and material supply.

Hungary is introducing new pricing, wage and tax systems to improve the country's economic performance. In 1987, five profit-oriented commercial banks will be created, removing from the central bank the job of lending money to state companies.

The Soviet leadership decided in March to introduce a new supply method, wholesale trade, in 1987 in enterprises run by some of the ministries. The new method is aimed at helping raise the efficiency of material supply.

In their reform efforts, these countries are following their own way in the light of their specific local conditions. The outgoing year has proven

that they are determined to forge ahead with reforms though the road ahead is bound to be full of difficulties.

The roads leading to economic reforms will inevitably be tortuous and diverse, said Hungary's magazine KOZGAZDASAGI SZEMLE recently. For socialist countries to achieve social progress and economic modernization, there is no other choice but to take the road of reform, the magazine added.

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CSO: 4020/76

AGRICULTURE

GENETIC STUDIES WITH SHENNONG 2015, A LETHAL YELLOW MUTANT (y<sub>21</sub>) IN SOYBEAN

Beijing YICHUAN [HEREDITAS] in Chinese No 3, May 1986 pp 13-15

[Article by Yu Jianchang [0151 1696 4545], Jian Li [5644 4539] and Zhu Guoyu [2612 0948 3768] of Genetics and Seed Cultivation Faculty Research Section, Shenyang Agricultural College]

[Abstract] This lethal yellow mutant in the soybean embryo is controlled by a pair of recessive genes. Because the mutant is distinct from the delayed yellow mutants discovered thus far, it is called y<sub>21</sub>. There are two causes for yellowing and for chlorophyll deficiency: the nucleolar and cytoplasmic heredity. Before y<sub>21</sub> was discovered, there were 20 gene numbers assigned, the preceding one being y<sub>20</sub> (Palmer). They are all delayed in character manifestation. The authors aimed at producing such basic genetic materials exhibiting both infertility and yellowing in order to naturally cull out these fertile yellow mutants. The hybrid of soybean is utilized. The manifestation rate of a pair of recessive genes declines rapidly down by generations: 1 out of 129 by the eighth generation, F<sub>8</sub>, for the yellow mutant. One table shows the relationships of lethal yellow mutant y<sub>21</sub>, green seedling gene Y<sub>21</sub>, fertile gene Ms<sub>1</sub>, and infertile gene ms<sub>1</sub>. Three photographs show the post-sprouting of soybean lethal yellow mutant, the relationship between flower color and fertility, and Coenocytic microspores of white-flower infertile stalks. The article was received for publication on 12 March 1985.

10424/13104  
CSO: 4011/04

## AGRICULTURE

### PROGRESS IN GUANGDONG'S SOIL EROSION PREVENTION

Xi'an SHUITU BAOCHI TONGBAO [BULLETIN OF SOIL AND WATER CONSERVATION] in Chinese No 3, Jun 86 pp 22-23

[Article by Zhu Shiqing [2613 0013 3237], Guangdong Provincial Institute of Pedology]

[Abstract] Severe soil pollution exists in about 5 percent of Guangdong's 212,000 square kilometers, concentrated in the coastal hills and the upper and middle reaches of the Han, Dong, Bei, and Jian rivers. There are three kinds of soil erosion in the province: rockslide, gulley and plantation erosion, covering 60 percent of the total erosion area. As the erosion spreads, sand drift covers the farm with raised riverbed and silting up reservoirs and irrigation ditches. The author reports on the erosion correction treatment (to some extent) in 466,700 hectares; 43 percent of this area was improved significantly. The following figures are given: 93,000 hectares of cultivated land are under protection and another 13,000 hectares are being reclaimed from having been buried. Improvements in individual counties are cited; however, there is a lack of province-wide soil improvement figures.

10424/9716  
CSO: 4011/02

## AGRICULTURE

### HEAVY METAL POLLUTION IN CHINA'S ARABLE SOIL; PREVENTION, TREATMENT

Shenyang TURANG TONGBAO [JOURNAL OF SOIL SCIENCE] in Chinese No 4, 6 Aug 86  
pp 187-189

[Article by Wu Yanyu [0702 3601 3768], Chen Tao [7115 3447] and Kong Qingxin [1313 1987 2450] of Institute of Forestry and Pedology, Chinese Academy of Sciences]

[Abstract] The most widespread pollutants in China's arable soil are cadmium and mercury--160,000 and 480,000 mu, respectively. Smaller polluted areas were found for arsenic, lead and chromium. The migration of a heavy metal in arable soil environment determines the extent of damage to man. With a much higher migration coefficient, heavy metals such as cadmium harm soil more than other heavy metals like lead and chromium. The authors report on soil improvements in a seven-year field experiment in the Zhangshi irrigation area near Shenyang where lime and calcium-magnesium-phosphorus fertilizer were applied, resulting in considerable reduction in levels of labile cadmium; however, this process is reversible because pollution with acidic sewage can convert fixed cadmium to labile cadmium again. An expensive way of avoiding this reversible process is to scrape off 5-30 cm of topsoil; in contrast, biological treatment--planting the polluted soil with woody plants--is inexpensive. Four tables show the morphological states of cadmium in the soils of China's four major sewage-irrigated areas, the effect on cadmium contents in soil and rice with application of improvement agents, effects on zinc, lead and copper in soil with application of soil-emendation agents, and the results of scraping off topsoil.

10424/9716  
CSO: 4011/01

## AGRICULTURE

### ON IDENTIFICATION OF RESISTANCE OF RICE PLANTS TO RICE BLAST BY NATURAL INFECTION

Tianjin ZHIWU BINGLI XUEBAO [ACTA PHYTOPATHOLOGICA SINICA] in Chinese No 3, Sep 86 p 184

[English abstract of article by Lu Zheyun [7120 0772 0061] of Ganzhou Agricultural Institute, Jiangxi Province]

[Text] From 1982-1984, we identified 25 rice-strains in five natural disease plots in different counties. We have found that strain 15(multi N-2) and strain 20 with higher yield are most resistant to rice blast. Strain 1(791-6-3-3), strain 5(3-37-10-2) and strain 14(multi N-1) give higher yields and are moderately resistant. But further experiments are needed for studying their stability. Strain 11 is supposed to have horizontal resistance. Its horizontal resistance needs to be further identified.

In identifying the resistance of rice to the rice blast, the methods of inoculation should be in combination with the natural infection method. We should especially point out that in identifying the resistance of rice plants to the heavy application of nitrogen and use of cold irrigation water are not necessary.

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CSO: 4011/18

HONG KONG

POLITICAL PROBLEMS STILL UNDERMINE INVESTOR CONFIDENCE

Hongkong MING PAO in Chinese 23 Oct 86 p 34

[Article: "The Confidence Problem Persists: Shen Bi Says It Is Hard To Be Optimistic about Banking in the Short Term"]

[Text] Although profit margins in Hong Kong have fallen once again, the economic growth rate is better than expected, and activity on the Hong Kong Stock Exchange has been feverish. Nevertheless, Shen Bi [3088 1732], chairman of the Hong Kong and Shanghai Banking Corp, believes that Hong Kong's economy is still troubled by the confidence problem and that the favorable factors cited above do not substantially benefit banking.

In an economic survey conducted by the ASIAN WALL STREET JOURNAL, Shen stated that it is hard to be optimistic about banking operations in Hong Kong in the short term, and in fact profits reported by Han Seng Bank increased by only 6.3 percent during the first half of this year, which is lower than was generally expected.

Shen believes that political problems remain the principal cause of the sluggishness in bank loans in Hong Kong. Because political development has not been stable, he says, investors lack confidence in Hong Kong and thus are cautious about investing. Investment in plants and equipment shrunk by about 10 percent between 1982 and 1985, whereas such investment had grown at an average annual rate of 8.7 percent from 1967 to 1982.

Although the stock market has been very active during the last month and though the Han Seng Index has risen by 28 percent since the beginning of the year, the financial subindex has not performed so well, rising by only 6.6 percent.

In addition, six local banks ran into financial difficulty last year, forcing the government to use foreign-exchange funds to prop them up.

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CSO: 4006/109

HONG KONG OFFICIAL REVIEWS 1986 ECONOMY

OW/232046 Beijing XINHUA in English 1317 GMT 23 Dec 86

[Text] Hong Kong, 23 December (XINHUA)--"This year has been really quite a comfortable year for Hong Kong," claimed Hong Kong financial secretary Piers Jacobs at a press conference today.

Reviewing Hong Kong's economy this year, Jacobs said, the growth has been largely export-led, adding "we have seen a significant increase in domestic exports and re-exports."

It shows signs of continuing, certainly for the first half of next year, Jacobs said. "All the books are looking satisfactory," he added, "we have quite a lot retained imports of raw materials and also have a good growth of retained imports of industrial plants and machinery which presume to be used." [sentence as received]

While refusing to give another figure on the possible growth of gross domestic products this year, Jacobs said it would be better than 5.6 percent as he had predicted earlier.

The other development was banking sector, according to Jacobs. "We can't guarantee against fraudulent activities, but we have in place now a satisfactory and adequate system of banking supervision," Jacobs said, "the worst is behind us."

A number of small local banks had been in severe financial troubles over the past few years. Some of them had to be taken over by the Hong Kong government.

"The threat on the horizon of course is protectionism," declared the financial chief who took the threat very seriously. Hong Kong government has engaged lobbyist in Washington and have offices in both New York, Washington and San Francisco. "I am thinking of sending our secretary for trade and industry over to the States," Jacobs said, "you have to increase the activities from time to time."

Not only talking to people in Washington, "one perhaps has to stop at the countryside and talk to the people who talk to their congressmen," he added, "you have to think of getting to the voters as well."

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CSO: 4020/74

OFFICIAL URGES QUICKER ECONOMIC LIBERALIZATION

OW220405 Taipei CNA in English 0323 GMT 22 Dec 86

[Text] Taipei, 21 December (CNA)--Vice Economics Minister Wang Chien-shien said over the weekend that the ROC Government is determined to accelerate economic liberalization and internationalization.

Addressing the annual conference of the ROC Marketing Association in Taipei Saturday, Wang said the nation is heavily dependent on foreign trade due to its limited natural resources. Therefore, he added, the acceleration of economic liberalization and internationalization is the only way for the ROC to continue its economic growth in the future.

Wang also urged domestic exporters to apply themselves to diversifying their foreign markets. "The overconcentration of exports on the U.S. market has made the nation weak in countering protectionist measures generated from the United States," he said.

Wang revealed that the ROC is planning to lower customs tariffs in the near future as part of its efforts to further open the domestic market.

"The United States has been holding the ROC's tax rates responsible for the trade imbalance between the two nations," Wang said. As a matter of fact, he added, the average 7.15 percent tariff rate the ROC now is imposing on imports is "relatively low" among the developing countries of the world.

He pointed out that the ROC Government has decided to reduce customs tariffs to 5 percent on the average within four years.

Turning to the current ROC-USA trade imbalance, Wang said that to increase the nation's investments in the United States will be one of the effective ways to help resolve this issue. Besides, investments will also help the nation secure its raw material supplies as well as relieve the protectionist sentiment in the United States, he said.

With regard to the privatization of state-run enterprises, Wang said that the government is set to gradually open the state firms to the private sector.

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CSO: 4020/74

ZHONGGUO XINWEN SHE: TAIWAN ECONOMIC SITUATION VIEWED

HK170045 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0456 GMT 15 Dec 86

[Report: "Taiwan's Economic Situation for This Year Is More Gratifying Than Worrying"--ZHONGGUO XINWEN SHE headline]

[Text] Hong Kong, 15 Dec (ZHONGGUO XINWEN SHE)--Taiwan's economic situation in 1986 can be described as having a rapidly growing rate of production, an increasing accumulation by a large margin, and a continually declining unemployment rate.

According to a recent estimate by Taiwan's "Executive Yuan," Taiwan's annual economic growth rate may reach 10.77 percent this year, almost twice as much as the planned target of 5.5 percent. If that is the case, it will mark the best economic results in Taiwan over the past 8 years.

The main reason for Taiwan's high economic growth rate this year is still the robust development of the export-oriented industries, which also bring along the development of other production.

As everyone knows, the continuing economic recovery in the United States, a main trade partner of Taiwan, greatly stimulated its domestic demand this year. According to a report issued by an American institution in Hong Kong, between January and August, American imports from East Asia and the Pacific region increased by 16 percent over the same period of last year. As the United States is always the most important market of Taiwan's export goods (nearly half of Taiwan's export goods are sold to the United States), Taiwan has greatly benefited from this favorable situation, and its trade with the United States has sharply increased. The value of goods exported to the United States between January and November reached as high as \$17.316 billion, which was a figure much greater than Taiwan's total export volume to America last year.

The substantial growth in Taiwan's export this year can also be attributed to the other two favorable factors: first, the Japanese and West German currencies substantially appreciated; and second, international oil prices fell again and again. These two factors lowered the costs of the Taiwan

products not only consolidated their sale position on the American market, but also seized the superiority previously held by Japanese goods in some categories. In addition, more and more Taiwan products have appeared on the Japanese and European markets.

Some Taiwan newspapers said earlier that due to the robust recovery of Taiwan's export, many processing plants in all parts of the island had to keep operating round the clock, and last year's recession scenes--closedown of many factories, stop of production, and unemployment of large numbers of workers--have all been swept away.

However, there are still many unsolved problems left over from the past in Taiwan's economy. For example, its export markets are too concentrated; its trade surplus is too large; its foreign exchange accumulation is excessively swelling; and the investment mood inside the island is still low. Now most of these problems have not been properly solved, and some of them are even (?becoming) more serious. In particular, the excessively large foreign trade surplus and foreign exchange reserve, as well as the series of political and economic problems derived from this phenomenon, are greatly upsetting the Taiwan authorities.

According to the data of the statistical bureau of Taiwan's "Executive Yuan," by the end of last month, the accumulated trade surplus against the United States reached some \$15 billion, and the total foreign exchange reserve exceeded \$43 billion. The excessively large trade surplus against the United States has evoked protectionist retaliatory actions in the United States, which forced the new Taiwan currency to appreciate. This brought many new difficulties to the entire economic operation in Taiwan. The excessive foreign exchange reserve also led to the continuous increase in money supply, which in turn add fuel to inflation. This has more directly created many potential perils in the island's industrial production, the residents' livelihood, and the social stability.

Even so, Taiwan's overall economic situation this year is still "more gratifying than worrying." In the future, if the authorities can advance in diversifying Taiwan's export markets, promote the export of capital, and stimulate people's investment mood inside the island, then it is believed that Taiwan's economy will become better next year.

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CSO: 4006/196

## BRIEFS

11 PERCENT ECONOMIC GROWTH EXPECTED--Taipei, 21 December (CNA)--Judging from major economic indicators, the economic growth of the Republic of China for 1986 is expected to reach 11 percent, Economics Minister Li Ta-hai said in Taipei Saturday. Speaking at an annual meeting of the ROC Association of Energy Economics, Li said that he believes that the ROC's strong economic vitality shown in the fourth quarter of 1986 will remain unchanged in the first quarter of 1987. The nation will have no problem to attain an 8 percent economic growth for 1987 if it can ease the pressure for appreciation of the N.T. dollar and maintain a normal economic performance in the second quarter, Li said. Referring to the exploitation of energy resources at home and abroad, Li indicated that the nation has made great progress in this field. At present, the nation is already able to produce 1.3 million cubic meters of natural gas per day and is planning to cooperate with Indonesia, Malaysia, Australia, the Philippines and Ecuador in exploiting more oil resources overseas, Li said. [Text] [Taipei CNA in English 0231 GMT 22 Dec 86 OW] /12913

STRONG ECONOMIC GROWTH PREDICTED--Taipei, 18 December (CNA--In spite of surging protectionism around the world, the economic prospects for the Republic of China in 1987 will still be very bright, the Ministry of Economic Affairs [MOEA] has predicted. An MOEA official said Thursday that the ROC's economic growth is expected to exceed 10 percent in 1986 while its trade surplus will reach a record US\$16 billion. According to an estimate by foreign research organizations, the U.S. economy will enjoy real growth of 3.6 percent in 1987. Although international oil prices will increase next year, the scale of price hikes is not expected to be very large. These factors will all be favorable to the ROC's economic development in 1987, the official said. The only drawback that might affect the ROC's economic performance is that the United States and Japan might impose stiffer restrictions on imports from this country under the pressure of protectionism, he said. To cope with a new international trade situation, the government will speed up its pace of economic liberalization and internationalization. On the other hand, it will encourage more investments in the manufacturing of high-value-added products in order to enhance the competitiveness of ROC-made products on the world market, the official said. [Text] [Taipei CNA in English 0315 GMT 19 Dec 86 OW] /12913

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